Report of the Directors of Audited Financial Statements

MANULIFE (INTERNATIONAL) LIMITED
(Incorporated in Bermuda with limited liability)

December 31, 2021

MANULIFE (INTERNATIONAL) LIMITED

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MANULIFE (INTERNATIONAL) LIMITED

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended December 31, 2021.

Principal activities

The Group's principal activities involve the transaction of life insurance business and administration of retirement schemes. The Group did not carry on insurance business relating to liabilities or risks in respect of which persons are required by any ordinance or government regulations to be insured. The principal activities of the Group's subsidiaries are set out in note 6 to the financial statements.

Results and dividends

The Group's profit for the year ended December 31, 2021 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 10 to 101.

Dividends totaling HK$3,896 million were paid during the year. Details of the dividends are set out in note 28 of the financial statements.

Fixed assets

Details of movements in fixed assets of the Company and the Group during the year are set out in note 5 to the financial statements.

Share capital

Details of the share capital of the Company during the year are set out in note 27 to the financial statements.

Directors and controllers

The composition of directors of the Company during the year and up to the date of this report were:

Executive Directors

Anil Wadhwani
Kenneth Joseph Rappold Jr
Damien Allen Green
Steven Christopher Horton
Guy Raymond Adam Mills (resigned on January 1, 2021)

Independent Non-executive Directors

Garry Alides Willinge
Christopher Alan Edwards
David John Bell (resigned on January 1, 2021)
Diane Margaret Daly Bean (resigned on January 1, 2021)

In accordance with the Company's bye-laws, all directors retire and, being eligible, offer themselves for re-election.

Directors and controllers (continued)

The Company's controllers during the year and up to the date of this report were as follows:

Manulife Financial Corporation
Manulife Financial Asia Limited
Manulife Holdings (Bermuda) Limited
Manulife International Holdings Limited
The Manufacturers Life Insurance Company
Rocco Gori
Anil Wadhwani
Damien Allen Green

Directors' and controllers' interests
At no time during the year were there any loans advanced to or obligations assumed by or for a director or controller of the Company.

The ultimate holding company grants stock options under its Executive Stock Option Plan ("ESOP") to selected individuals. The options provide the holder the right to purchase Manulife Financial Corporation ("MFC") common shares at an exercise price equal to the higher of the prior day, prior five-day or prior ten-day average closing market price of the shares on the Toronto Stock Exchange on the date the options are granted. The options vest over a period not exceeding four years and expire not more than 10 years from the grant date. Effective with the 2015 grant, options may only be exercised after the fifth-year anniversary. A total of 73.6 million common shares have been reserved for issuance under the ESOP.

The following directors of the Company were eligible to participate in the above plans:

Anil Wadhwani
Kenneth Joseph Rappold Jr
Damien Allen Green
Guy Raymond Adam Mills (resigned on January 1, 2021)

Except for the ESOP plans, no arrangements to enable a director or controller to acquire shares in the ultimate holding company of the Company or any other body corporate, to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party, existed at the end of the year or at any time during the year.

No contracts of significance to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party, and in which any director or controller of the Company had a material interest, either directly or indirectly existed at the end of the year or at any time during the year.

Charitable donations
During the year, the Group made charitable donations of HK$3.3 million.

Material reinsurance arrangements

(a) Hong Kong and Macau

The Company has reinsurance arrangements with various reputable reinsurers for its Hong Kong and Macau businesses. They are summarised by line of business as follows:

Line of business	Type of cover	Retention
Group Life	Excess	HK$3,000,000 per benefit
Group Health ("High-Capacity Groups" plan/policy and non-confinement Cancer and Dialysis Benefit Rider of the ManuSelect Group Medical Protection plan)	Quota share	50% quota share of each and every "High-Capacity Groups" plan/policy ceded under this agreement 85% quota share of each and every plan/policy ceded under this agreement that is not classified as "High-Capacity Groups"
Group Health (under John Hancock International Group Program (IGP))	Quota share	50% for new business and 25% for existing business with a retention limit of HK$6,000,000
High End Medical Plan	Quota Share	50% quota share "per life" of all business ceded under this treaty
Critical Illness Plan	Quota Share and Excess	50% up to US$100,000/HK$800,000 (risks assessed by reinsurer) US100,000/HK$800,000 (risks not assessed by reinsurer)
ManuMulti Care (MMC) ManuEssential Care (MEC) ManuPrime Care (MPC) Cancer Treatment Benefit Rider Health Care Plans	Quota Share and Excess	the lower of (a) 50% of the net amount each risk at policy commencement date on a per life basis (b) US$100,000/HK$800,000 net amount at risk at policy commencement date on a per life basis

Material reinsurance arrangements (continued)
(a) Hong Kong and Macau (continued)

Line of business	Type of cover	Retention
High Net Worth Universal Life	Quota Share and Excess	the lower of 50% of initial sum at risk (a) or 20% of initial sum at risk for policies after Sep 1, 2019: (b) US$5,000,000 for HK and Macau residents; (c) US$3,000,000 for PRC residents; (d) US$1,000,000 for the rest of the countries
Alpha Regular Investor ManuFuture Education Plan	Excess	US$1,000,000 per life insured or 10% of Sum Assured (where applicable).
My Premier Lady	Quota Share	60% of the net amount at risk
ManuSilver Care (MSC) ManuAmber Care (MAC) ManuVital Care (MVC)	Quota Share and Excess	the lower of (a) 50% of the net amount at risk at policy commencement date on a per life basis; (b) US$100,000/HK$800,000 net amount at risk at policy commencement date on a per life basis
ManuBright Care (MBC) series ManuLove Care (MLC)	Quota Share and Excess	the lower of (a) 20% of the net amount at risk at policy commencement date on a per life basis; (b) US$100,000/HK$800,000 net amount at risk at policy commencement date on a per life basis

Material reinsurance arrangements (continued)
(a) Hong Kong and Macau (continued)

Line of business	Type of cover	Retention
Whole-In-One Prime series	Quota Share & Excess	the lower of (a) 20% of the net amount at risk at policy commencement date on a per life basis; (b) US$5,000,000 for Hong Kong and Macau Residents; (c) US$3,000,000 for PRC Residents; (d) US$1,000,000 for residents in the rest of the countries.
ManuDelight Annuity Plan	Quota Share	50% of Extra Income Protector Benefit and 100% of other benefits
All other Individual Life	Excess and Quota Share	US$100,000 (policy issued prior to January 1, 2004) US$1,000,000 (policy issued from July 1, 2006)

A block of selected Par products issued prior to June 30, 2017 are ceded to RGA through a yearly renewable term quota share treaty.

Jade RMB Insurance plan and ManuWealth USD Insurance Plan (2017 version) have a coinsurance arrangement with China Life Reinsurance Company, under which the majority (95%) of the benefits is ceded. ManuFortune and ManuWealth USD Insurance Plan (2018 to 2021 versions) have a coinsurance arrangement with Taiping Reinsurance Company Limited, under which the majority (95%) of the benefits is ceded.

Material reinsurance arrangements (continued)
(a) Hong Kong and Macau (continued)

Universal Life Insurance Plan has a coinsurance arrangement with The Manufacturers Life Insurance Company, under which majority (90%) of business is ceded.

There was a reinsurance arrangement with Manufacturers Life Reinsurance Limited under which 70% of the Hong Kong dollars Par Open block in-force before January 1, 2020 is ceded.

There was a reinsurance arrangement with Manufacturers Life Reinsurance Limited under which 75% of new business policies of selected products between April 1, 2020 and September 30, 2020 is ceded.

The Company accepts risk from several affiliates of the Company for amounts above the respective operation's retention up to a limit as detailed below for each affiliate: -

- Singapore US$5 million
- Malaysia US$5 million
- Vietnam US$5 million
- Philippines US$5 million
- Indonesia US$7.5 million
- Cambodia US$5 million

If the amount at risk shall increase above the retention limit, the increase will be subject to a special approval by the Company.

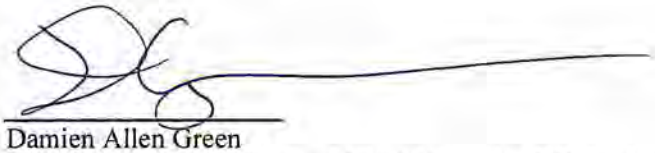
(b) China

The Group has reinsured a specified block of individual policies and short-term health, accidental and life insurance policies of Manulife Sinochem Life Insurance Company Limited (MSL) to various reputable reinsurers.

For 2020 door opening Annuity product (AHN), MSL has signed a coinsurance arrangement with China Re Life, and the ceding percentage is 99%. In 2021, MSL has added another annuity product (BNA) to the coinsurance arrangement with China Re Life, with a ceding percentage of 83%.

Auditor
Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board



Damien Allen Green
Executive Vice President and Chief Executive Officer, Hong Kong
April 26, 2022

Ernst & Young
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Independent auditor's report
To the members of Manulife (International) Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Manulife (International) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 10 to 101, which comprise the consolidated and company statements of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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.

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Independent auditor's report (continued)
To the members of Manulife (International) Limited
(Incorporated in Bermuda with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group'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 of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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Independent auditor's report (continued)
To the members of Manulife (International) Limited
(Incorporated in Bermuda with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company 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.

Ernst & Young

Certified Public Accountants
Hong Kong
26 April 2022

A member firm of Ernst & Young Global Limited

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Notes	2021	2020
		HK$'000	HK$'000
ASSETS			
Intangible assets	4	573,608	578,998
Goodwill	8	1,122,666	1,122,666
Investment property	7	6,890,000	6,940,000
Fixed assets	5	730,316	439,494
Policy loans	9	6,880,483	6,434,427
Mortgage and other loans	10	12,802,126	9,635,654
Accrued investment income	11	2,717,467	2,579,370
Premiums receivable	12	1,949,488	1,814,756
Loan to an intermediate holding company	13	629,112	1,003,191
Deferred tax assets	14	273,152	133,364
Tax recoverable		41,971	119,565
Amounts due from affiliates	15	345,044	312,874
Amounts due from reinsurers	16	752,299	462,635
Other assets		5,598,534	4,538,669
Investment securities	17	460,143,702	407,300,094
Derivative financial instruments	18	2,233,663	1,415,671
Cash and cash equivalents	19	12,183,487	10,737,441
TOTAL ASSETS		515,867,118	455,568,869
LIABILITIES			
Insurance funds	20	343,320,554	325,341,290
Policyholder amounts on deposit	21	30,837,893	30,326,970
Amounts due to affiliates	15	2,590,546	1,359,159
Deferred tax liabilities	14	1,325,908	796,723
Tax payable		160,252	-
Derivative financial instruments	18	1,472,996	1,933,610
Amounts due to reinsurers	16	640,785	396,008
Claims payable	22	2,433,515	2,395,628
Net asset value attributable to unit-holders	23	5,273,766	5,213,185
Accounts payable and accrued liabilities	24	63,938,989	45,499,078
Obligation under repurchase agreements	25	1,496,978	237,631
TOTAL LIABILITIES		453,492,182	413,499,282
NET ASSETS		62,374,936	42,069,587
EQUITY			
Issued capital	27	15,791,430	15,791,430
Share premium	27	2,145,943	2,145,943
Currency revaluation reserve		91,264	12,768
Share option reserve		42,860	43,122
Accumulated surplus		39,800,124	19,543,747
		57,871,621	37,537,010
Non-controlling interests		4,503,315	4,532,577
TOTAL EQUITY		62,374,936	42,069,587

Director

Director

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2021

	Notes	2021	2020
		HK$'000	HK$'000
Revenue:			
Premium income -			
Individual life insurance		33,656,236	1,272,047
Group life and health insurance		1,190,966	1,300,123
Permanent health insurance		(148)	5,312
Total premium income	29	34,847,054	2,577,482
Investment income	30	19,889,854	36,437,115
Other revenue	31	12,464,511	18,781,165
Total revenue		**67,201,419**	**57,795,762**
Expenses and outgoings:			
To policyholders and beneficiaries -			
Death and disability benefits			
Gross claims		7,230,888	5,654,861
Recoverable from reinsurers		(2,229,395)	(1,638,685)
Net death and disability benefits		5,001,493	4,016,176
Maturity and surrender benefits		8,949,661	8,157,716
Recoverable from reinsurers		(2,262,032)	(1,522,585)
Net maturity and surrender benefits		6,687,629	6,635,131
Annuity payments		757,053	620,900
Increase in reserves for future benefits		9,400,480	24,839,662
General expenses and commissions	32	13,369,185	12,164,152
Finance costs		33,753	45,405
Investment expenses		1,901,501	1,530,499
Interest expenses to policyholders		1,215,594	1,271,888
Policyholder dividends, net		4,126,055	1,103,478
(Loss)/ profit attributable to unit-holders	23	(45,522)	313,879
Premium taxes		37,741	31,773
Total expenses and outgoings		**42,484,962**	**52,572,943**
Profit before tax	35	**24,716,457**	**5,222,819**
Income taxes	36	572,723	339,896
Profit for the year		**24,143,734**	**4,882,923**
Attributable to:			
Owners of the parent	37	24,152,027	3,747,203
Non-controlling interests		(8,293)	1,135,720
		24,143,734	4,882,923

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	2021	2020
	HK$'000	HK$'000
Profit for the year	24,143,734	4,882,923
Other comprehensive income		
Exchange differences on translating foreign operations	153,766	500,110
Total comprehensive income for the year, net of tax	24,297,500	5,383,033
Attributable to:		
Owners of the parent	24,230,523	4,002,259
Non-controlling interests	66,977	1,380,774
	24,297,500	5,383,033

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Notes	Issued capital	Share premium	Currency revaluation reserve	Share option reserve	Accumulated surplus	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at December 31, 2019		**9,193,123**	**2,145,943**	**(242,288)**	**44,483**	**15,796,544**	**26,937,805**	**3,225,363**	**30,163,168**
At January 1, 2020		**9,193,123**	**2,145,943**	**(242,288)**	**44,483**	**15,796,544**	**26,937,805**	**3,225,363**	**30,163,168**
Issue of shares	27	6,598,307	-	-	-	-	6,598,307	-	6,598,307
Total comprehensive income for the year		-	-	255,056	-	3,747,203	4,002,259	1,380,774	5,383,033
Share-based payments arrangement		-	-	-	(1,361)	-	(1,361)	-	(1,361)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	(73,560)	(73,560)
Balance as at December 31, 2020		**15,791,430**	**2,145,943**	**12,768**	**43,122**	**19,543,747**	**37,537,010**	**4,532,577**	**42,069,587**
At January 1, 2021		**15,791,430**	**2,145,943**	**12,768**	**43,122**	**19,543,747**	**37,537,010**	**4,532,577**	**42,069,587**
Total comprehensive income for the year		-	-	78,496	-	24,152,027	24,230,523	66,977	24,297,500
Share-based payments arrangement		-	-	-	(262)	-	(262)	-	(262)
Dividends	28					(3,895,650)	(3,895,650)		(3,895,650)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	(96,239)	(96,239)
Balance as at December 31, 2021		**15,791,430**	**2,145,943**	**91,264**	**42,860**	**39,800,124**	**57,871,621**	**4,503,315**	**62,374,936**

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Notes	2021	2020
		HK$'000	HK$'000
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit before tax		24,716,457	5,222,819
Adjustments for:			
Finance costs		33,753	45,405
Depreciation	35	212,127	171,591
Change in fair value of investment property	7	50,000	460,000
Depreciation of right-of-use assets	26	317,493	322,566
Amortisation of intangible assets	35	28,726	26,319
Loss on disposal of fixed assets	35	5,935	4,497
Share-based payment		(262)	(1,361)
		25,364,229	6,251,836
Increase in policy loans		(446,056)	(536,769)
Increase in mortgage and other loans		(3,166,472)	(4,770,917)
Increase in accrued investment income		(138,097)	(189,802)
Increase in premiums receivable		(134,732)	(277,747)
Change in amounts due from/to affiliates, net		1,199,217	602,202
Change in amounts due from/to reinsurers, net		(44,887)	(92,645)
Increase in other assets		(1,377,358)	(2,622,046)
Increase in investment securities		(52,843,608)	(79,750,879)
Increase in derivative financial instruments, assets		(817,992)	(611,595)
Increase in insurance funds		17,979,264	36,559,188
Increase/(decrease) in policyholder amounts on deposit		510,923	(1,426,576)
(Decrease)/increase in derivative financial instruments, liabilities		(460,614)	1,185,157
Increase in claims payable		37,887	47,007
Increase in net asset value attributable to unit-holders		60,581	1,066,976
Increase in accounts payable and accrued liabilities		18,770,432	38,934,632
Cash generated from/(used in) operating activities		4,492,717	(5,631,978)

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	2021	2020
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Hong Kong profits tax paid	-	(210,955)
Overseas tax refund/(paid)	28,661	(44,518)
Finance costs	(33,753)	(45,405)
Net cash inflow/(outflow) from operating activities	4,487,625	(5,932,856)
INVESTING ACTIVITIES		
Purchases of fixed assets	(501,767)	(201,753)
Purchases of intangible assets	(23,336)	-
Net cash outflow from investing activities	(525,103)	(201,753)
FINANCING ACTIVITIES		
Proceeds from issue of shares	-	6,598,307
Principal portion of lease payments	(330,521)	(319,984)
Dividends paid	(3,895,650)	-
Dividends paid to non-controlling shareholders	(96,239)	(73,560)
Repayment of loan to an intermediate holding company	378,509	227,736
Loan to an intermediate holding company	-	(775,069)
Proceeds from obligation under repurchase agreements	1,259,347	237,631
Net cash (outflow)/inflow from financing activities	(2,684,554)	5,895,061
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,277,968	(239,548)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,737,441	10,451,161
Effect of foreign exchange rate changes, net	168,078	525,828
CASH AND CASH EQUIVALENTS AT END OF YEAR	12,183,487	10,737,441
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank call deposits	1,034,703	1,236,753
Bank current accounts	11,148,751	9,500,655
Cash on hand	33	33
	12,183,487	10,737,441

MANULIFE (INTERNATIONAL) LIMITED

STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Notes	2021	2020
		HK$'000	HK$'000
ASSETS			
Intangible assets	4	573,608	578,998
Goodwill	8	1,122,666	1,122,666
Investment property	7	6,890,000	6,940,000
Fixed assets	5	396,665	228,104
Interests in subsidiaries	6	891,285	785,995
Policy loans	9	4,744,851	4,868,291
Mortgage and other loans	10	1,484,515	917,524
Accrued investment income	11	1,900,651	1,815,844
Premiums receivable	12	834,787	796,553
Loan to an intermediate holding company	13	629,112	1,003,191
Deferred tax assets	14	332	-
Tax recoverable		-	50,367
Amounts due from affiliates	15	1,619,146	1,650,846
Amounts due from reinsurers	16	91,329	161,084
Other assets		3,883,260	2,664,380
Investment securities	17	394,468,990	356,187,463
Derivative financial instruments	18	2,007,764	1,380,282
Cash and cash equivalents	19	9,267,542	7,765,727
TOTAL ASSETS		430,806,503	388,917,315
LIABILITIES			
Insurance funds	20	285,949,316	282,844,502
Policyholder amounts on deposit	21	26,214,449	26,281,735
Amounts due to affiliates	15	2,584,629	1,349,890
Tax payable		160,252	-
Derivative financial instruments	18	1,472,996	1,933,610
Amounts due to reinsurers	16	32,850	59,786
Claims payable	22	2,383,388	2,339,102
Accounts payable and accrued liabilities	24	59,176,134	41,334,723
TOTAL LIABILITIES		377,974,014	356,143,348
NET ASSETS		52,832,489	32,773,967
EQUITY			
Issued capital	27	15,791,430	15,791,430
Share premium	27	2,145,943	2,145,943
Share option reserve		42,860	43,122
Accumulated surplus		34,852,256	14,793,472
TOTAL EQUITY		52,832,489	32,773,967

Director

Director

MANULIFE (INTERNATIONAL) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Notes	Issued capital	Share premium	Share option reserve	Accumulated surplus	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at December 31, 2019		**9,193,123**	**2,145,943**	**44,483**	**12,297,364**	**23,680,913**
At January 1, 2020		**9,193,123**	**2,145,943**	**44,483**	**12,297,364**	**23,680,913**
Issue of shares		6,598,307	-	-	-	6,598,307
Total comprehensive income for the year		-	-	-	2,496,108	2,496,108
Share-based payments arrangement		-	-	(1,361)	-	(1,361)
Balance as at December 31, 2020		**15,791,430**	**2,145,943**	**43,122**	**14,793,472**	**32,773,967**
At January 1, 2021		**15,791,430**	**2,145,943**	**43,122**	**14,793,472**	**32,773,967**
Total comprehensive income for the year		-	-	-	23,954,434	23,954,434
Share-based payments arrangement		-	-	(262)	-	(262)
Dividends	28				(3,895,650)	(3,895,650)
Balance as at December 31, 2021		**15,791,430**	**2,145,943**	**42,860**	**34,852,256**	**52,832,489**

1. CORPORATION INFORMATION

The Company was incorporated in Bermuda and registered in Hong Kong to carry on long term insurance business. The Company is a wholly-owned subsidiary of Manulife International Holdings Limited, a company incorporated in Bermuda. The directors consider that Manulife Financial Corporation ("MFC"), a company incorporated in Canada, is the Company's ultimate holding company.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. The consolidated financial statements has been prepared under the historical cost convention, except for investment property, derivative financial instruments, and investment securities, which have been measured at fair value. The consolidated financial statements is presented in Hong Kong dollars, which is also the Group's functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

The Group presents its consolidated statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset and net amounts 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 settled the liabilities simultaneously.

Basis of consolidation

The consolidated financial statements includes the financial statements of the Group for the year ended December 31, 2021. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Unit-trusts with controlling interest have been consolidated. Units not owned are treated as a liability.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

[1] Effective for annual periods beginning on or after January 1, 2023[#]

[#] In October 2020, the HKICPA issued amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the HKICPA amended HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023.

The nature and the impact of the application of other new and revised standards in the current year does not have material impact on the Group's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide relief from modification of financial assets and liabilities, and discontinuation of hedge relationships, when changing risk free interest rate benchmarks due to interest rate benchmark reform. The amendments include a practical expedient to treat changes in risk free rates as a change to a floating interest rate with an update to the effective rate of interest, rather than as a change in future cash flows which might require adjustments to carrying values through recording a modification gain or loss. The Company's exposure to these changes through invested assets, derivatives is not significant and has not resulted in significant changes to the Company's risk management strategies.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Effective January 1, 2018, the Group adopted the amendments to HKFRS 4 Insurance Contracts issued in September 2016. HKFRS 9 Financial Instruments replaced HKAS 39 Financial Instruments: Recognition and Measurement and resulted in revisions to classification and measurement, impairment of financial assets, and hedge accounting.

To address concerns about differing effective dates of HKFRS 9 Financial Instruments which is effective on January 1, 2018 and HKFRS 17 Insurance Contracts which is effective on January 1, 2023, amendments to HKFRS 4 Insurance Contracts provides companies whose activities are predominantly related to insurance an optional temporary exemption from applying HKFRS 9 until January 1, 2023. Adoption of these amendments enabled the Company to defer the adoption of HKFRS 9 and continue to apply HKAS 39 until January 1, 2023, since the Company's activities are predominantly related to insurance.

In order to compare with entities applying HKFRS 9, the amendments to HKFRS 4 require deferring entities to disclose additional information regarding the contractual cashflows characteristics and credit exposure of their financial statements. Financial assets have contractual terms that are solely payments of principal and interest on principal outstanding ("SPPI") disclosed in note 40 for fair value and carry value and note 42(d) for credit quality analysis. Adoption of these disclosure requirements did not have a significant impact on this financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised standards, that have been issued but are not yet effective, in this financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred tax related to assets and liabilities arising from a single transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements 2018-2020 Cycle	*Amendments to a number of HKFRSs* [1]

1 Effective for annual periods beginning on or after January 1, 2022

2 Effective for annual periods beginning on or after January 1, 2023[#]

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

In October 2020, the HKICPA issued amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the HKICPA amended HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those standards that are expected to be applicable to the Group and will have material impact is described below.

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace the existing HKFRS 4 Insurance Contracts. The standard applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

HKFRS 17 is effective for reporting periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies HKFRS 9 and HKFRS 15 on or before the date it first applies HKFRS 17. The Group continues its assessment of the implications of this standard and expects that it will have a significant impact on the Group's Consolidated Financial Statement.

Amendments to HKFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. In addition, the amendments defer the effective date of HKFRS 17 to annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. As a result of the deferral, the HKICPA issued the amendments to HKFRS 4 to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

The standard and amendments are expected to have a significant impact on the Group's Consolidated Financial Statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity including a structured entity, directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit and loss to the extent of dividends received and receivables. Investments in subsidiaries are stated at cost less any impairment losses in the Company's statement of financial position.

Fair value measurement

The Group measures its investment property, derivative financial instruments and investment securities at fair value at the end of each reporting period. Fair value is the 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 for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of a fixed asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of fixed assets are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each fixed asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	10% to 50% (or remaining lease terms)
Computer equipment	25% to 50%
Automobiles	20%

A fixed asset and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property

Investment property is interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment property is included in the statement of profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal. For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

The intangible assets represent a contractual relationship in respect of an acquired distribution network and an acquired customer relationship that have been measured upon initial recognition at cost. They are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets are reviewed at least at each financial year end. The amortisation charge for the year is included in the statement of profit or loss under "General expenses and commissions".

Goodwill

Goodwill represents the difference between the purchase consideration of an acquired business and the Group's proportionate share of the net identifiable assets acquired and liabilities and contingent liabilities assumed. It is initially recorded at cost and subsequently measured at cost less any accumulated impairment. Goodwill is tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable at the cash generating unit ("CGU") or group of CGUs level. The Group allocates goodwill to CGUs or groups of CGUs for the purpose of impairment testing based on the lowest level within the entity in which the goodwill is monitored for internal management purposes. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Any potential impairment of goodwill is identified by comparing the recoverable amount of a CGU or group of CGUs to its carrying value. Goodwill is reduced by the amount of deficiency, if any. If the deficiency exceeds the carrying amount of goodwill, the carrying values of the remaining assets in the CGU or group of CGUs are subject to being reduced by the excess on a pro-rata basis. The recoverable amount of a CGU is the higher of the estimated fair value less costs to sell or the value-in-use of the CGU. In assessing value-in-use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In some cases, the most recent detailed calculation made in a prior period of the recoverable amount of a CGU is used in the testing of impairment of goodwill in the current period. This is the case only if there are no significant changes to the CGU, the likelihood of impairment is remote based on the analysis of current events and circumstances, and the most recent recoverable amount substantially exceeds the carrying amount of the CGU.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables or derivatives. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period.

The Group's financial assets include cash and cash equivalents, policy, mortgage and other loans, premiums and other receivables, listed and unlisted investment securities, and derivative financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on these financial assets are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Investment income" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables 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 investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments or reference to the present value of estimated future cash flows.

The derivative financial instruments entered into by the Group do not qualify for hedge accounting and, accordingly, are stated at fair value at the end of the reporting period with any fair value gains or losses being taken directly to the statement of profit or loss.

Mortgage and other loans

Mortgage and other loans are carried at amortised cost less repayment and any impairment losses. Interest on mortgage and other loans is credited to the statement of profit or loss.

Impairment of financial assets

The Group assesses at the end of the reporting period whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

The amount of any impairment loss identified is measured as the difference between the 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 asset is reduced and the loss is recorded in the statement of profit or loss. Loans and receivables together with any associated allowance are written-off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reversed. Any subsequent reduction of an impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement.

Financial liabilities at amortised cost

Financial liabilities including accounts payable, policy amounts on deposits, amounts due to affiliates and other monetary liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts

A financial guarantee contract issued by the Group is a contract that requires a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the financial guarantee contract is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Reinsurance assets

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not receive all outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance contracts. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance assets (continued)

Ceding contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

Premiums receivable

Premiums receivable represent premiums which are due for payment. Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, premiums receivable are measured at amortised cost, using the effective interest rate method. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

The Group normally allows policyholders to make payments within a grace period of one month from the due dates. The grace period may be extended by one further month by management purely on a discretionary basis. Insurance policies continue to be in force if default premiums are settled before the expiry of the grace period.

Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the statement of profit or loss or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Leases

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Employee benefits

Share-based payment transactions

MFC, the Company's ultimate holding company, operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of MFC Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes option pricing model, further details of which are given in note 33 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MFC ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date").

The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of cash-settled transactions is measured initially at fair value, taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value recognised in the statement of profit or loss.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after November 7, 2002 that had not vested by January 1, 2005 and to those granted on or after January 1, 2005.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Dividends on common and preference shares are recorded when declared. Final dividends proposed by the directors are classified as a separate allocation of accumulated surplus within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared in a general meeting, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial statements is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The functional currencies of certain overseas business units are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits. Apart from restricted cash and cash equivalents in note 19(c), all the balances are not restricted as to use.

Insurance fund

The insurance fund represents the amount which, together with future premiums and investment income, will be sufficient to pay future benefits, dividends and expenses on insurance contracts.

Traditional business

The fund is predominantly determined based on the 1.5 year full preliminary term method ("1.5FPT") for Hong Kong and Macau businesses while 3.5 Zillmer method ("3.5 Zillmer") is applied for China business.

In all territories, Unearned Premium Reserve method is used for most yearly renewable term products.

Universal variable life ("UVL")

For UVL business carried on in all territories, reserves are set equal to the total of asset fund value, sales inducement liability for the loyalty bonus payable to policyholders, unearned cost of insurance and unearned revenue liability. The no-lapse guarantee reserve for UVL is not provided for due to immateriality.

Universal life ("UL")

For universal life products, reserves are set equal to surrender value plus unearned cost of insurance (COI) and accrued interest.

Variable annuity

For Variable Annuity, reserves are set equal to the total of asset fund value plus guaranteed reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Product classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts

Insurance contracts are those contracts where the Group (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.

As a general guideline, the Group determines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. A contract that transfers financial risk without significant insurance risk is classified as an investment contract.

Investment contracts without discretionary participating features ("DPF")

Investment contracts without DPF are those contracts that transfer significant financial risk with no significant insurance risk at the inception of the contract. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance contract liabilities

Unit-linked insurance contracts

These are contracts for which the liabilities are measured by units credited to the contracts. The values of the liabilities change in relation to the change in unit prices of certain funds. The number of units is increased by units purchased from premiums received, net of administrative charges and decreased by policy administration fees, mortality and morbidity charges. Additional liabilities are set up for the unexpired risks and for other future benefit payments. Changes to the liabilities at each reporting date are recorded in the statement of profit or loss as an expense.

The carrying value of the Group's unit-linked insurance contracts at the end of the reporting period was HK$22,558 million (2020: HK$22,183 million).

Insurance contracts with fixed and guaranteed terms

These are traditional insurance contracts that provide coverage for death, accident and sickness benefits. The provision for life insurance contracts with fixed level premiums is calculated on the basis of the prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing. The liability is determined as the sum of the expected discounted value of the benefit payments, less the expected discounted value of the theoretical premiums that would be required to meet the benefits. Changes to the liabilities at each reporting date are recorded in the statement of profit or loss as an expense. The liabilities on yearly renewable premium contracts are the liabilities for the unexpired risks carried at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities (continued)

Insurance contracts with fixed and guaranteed terms (continued)

The carrying value of the Group's insurance contracts with fixed and guaranteed terms at the end of the reporting period was HK$217,941 million (2020: HK$205,843 million), net of reinsurer's share of liabilities.

A liability adequacy test is performed at each reporting date to verify whether the insurance liabilities are adequate using current estimates of future cash flows under the insurance contracts. The liability value is adjusted if it is insufficient to meet future obligations, taking into account future premiums, investment income, benefits and expenses and cash flows from embedded options and guarantees. If the test shows that a deficiency exists, the shortfall is immediately recorded in the statement of profit or loss. The liability adequacy test is performed at the company level.

Investment contract liabilities

Investment contract liabilities for investment contracts without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at transaction price excluding any transaction costs directly attributable to the issue of the contracts.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position, known as deposit accounting.

Fees charged and investment income received are recognised in the statement of profit or loss when earned.

Fair value adjustments are performed at the end of the reporting period and are recognised in the statement of profit or loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the end of the reporting period. The fund assets and liabilities used to determine the unit-prices at the end of the reporting period are valued on a basis consistent with their measurement basis in the statement of financial position, adjusted to take account of the effect on the liabilities discounted for the time value of future tax on unrealised gains on assets in the fund.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

The carrying value of investment contracts at the end of the reporting period was HK$102,821 million (2020: HK$97,315 million).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net asset value attributable to unitholders

Unit-trusts in which the Group has a percentage holding in excess of 50% have been consolidated. The units not owned by the Group are treated as a liability due to the puttable nature of the units. This liability is referred to as 'net asset value attributable to unitholders'.

These liabilities are designated at fair value through profit or loss. Fair value is measured at current unit values, which reflect fair values of underlying assets of the fund.

These liabilities are derecognised when the related contracts are settled or disposed of.

Premiums

Gross earned recurring premiums from insurance contracts are recognised as revenue when payable by the policyholder. For gross earned single premium business, revenue is recognised on the date from which the policy is effective.

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods then they are deferred and recognised over those future periods.

Revenue accounts

The Group's results of the life assurance business and administration of retirement schemes are determined annually after the insurance fund has been valued by the appointed actuary.

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Benefits and insurance claims

Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued to the liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was HK$273 million (2020: HK$133 million). Further details are contained in note 14 to the financial statements.

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period and at other times when such an indicator exists. An impairment exists when the carrying value of the asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The determination of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use determination is undertaken, management would estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2021, no impairment loss had been recognised for intangible assets during the year (2020: HK$Nil). The carrying amount of the intangible assets as at 31 December 2021 was HK$574 million (2020: HK$579 million).

3. SIGNIFICANT ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation uncertainty

Valuation of insurance contract liabilities

The liability for insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased by a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, and valuation interest rates. The Group bases mortality and morbidity on standard industry and national mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Valuation interest rates are determined according to regulatory requirement, which takes into consideration an "existing" yield based on current asset portfolio and a long term reinvestment yield.

Valuation of investment contracts

Unitised investment contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked funds.

Non-unitised investment contract fair values are determined by using valuation techniques, such as discounted cash flow methods and stochastic modelling. A variety of factors are considered in these valuation techniques, including time value of money, volatility, policyholder behaviour, servicing cost and fair values of similar instruments.

Valuation of investment property

Investment property fair values are determined by direct capitalization approach and discounted cash flow approach. Direct capitalizations approach which capitalise the estimated gross passing income (on both a passing and market rent basis) on a fully leased basis. The adopted fully leased income is capitalized at an appropriate capitalization rate. The adopted yield reflects the nature, location, tenancy profile of the Property, the property tax and Government Rent liability of the landlord, together with current market investment criteria. Discounted cash flow approach which combine income growth over an assumed investment horizon (10-year assumed), a wide range of assumptions have been made including a target or pre-selected internal rate of return, revenue growth, outgoings and also its disposal at the end of the investment period. The valuation was performed by Colliers International (Hong Kong) Limited, an independent professionally qualified valuer.

4. INTANGIBLE ASSETS

Group and Company

	Customer base and distribution network HK$'000
At December 31, 2020 and at January 1, 2021:	
Cost	816,039
Accumulated amortisation	(207,581)
Accumulated impairment	(29,460)
Net carrying amount	578,998
At January 1, 2021, net of accumulated amortisation	578,998
Additions	23,336
Amortisation provided during the year	(28,726)
At December 31, 2021, net of accumulated amortisation	573,608
At December 31, 2021:	
Cost	839,375
Accumulated amortisation	(236,307)
Accumulated impairment	(29,460)
Net carrying amount	573,608

	HK$'000
At December 31, 2019 and at January 1, 2020:	
Cost	816,039
Accumulated amortisation	(181,262)
Accumulated impairment	(29,460)
Net carrying amount	605,317
At January 1, 2020, net of accumulated amortisation	605,317
Amortisation provided during the year	(26,319)
At December 31, 2020, net of accumulated amortisation	578,998
At December 31, 2020:	
Cost	816,039
Accumulated amortisation	(207,581)
Accumulated impairment	(29,460)
Net carrying amount	578,998

5. FIXED ASSETS

Group

	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Automobiles HK$'000	Total HK$'000
At December 31, 2020 and at January 1, 2021:				
Cost	982,736	546,372	3,769	1,532,877
Accumulated depreciation	(743,467)	(346,147)	(3,769)	(1,093,383)
Net carrying amount	239,269	200,225	-	439,494
At January 1, 2021, net of accumulated depreciation	239,269	200,225	-	439,494
Additions	178,282	323,485	-	501,767
Disposals	(5,338)	(597)	-	(5,935)
Depreciation provided during the year	(113,791)	(98,336)	-	(212,127)
Exchange realignment	3,096	4,021	-	7,117
At December 31, 2021, net of accumulated depreciation	301,518	428,798	-	730,316
At December 31, 2021:				
Cost	1,072,988	871,187	3,031	1,947,206
Accumulated depreciation	(771,470)	(442,389)	(3,031)	(1,216,890)
Net carrying amount	301,518	428,798	-	730,316

5. FIXED ASSETS (continued)

Group

	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Automobiles HK$'000	Total HK$'000
At December 31, 2019 and at January 1, 2020:				
Cost	879,553	477,374	3,769	1,360,696
Accumulated depreciation	(652,719)	(301,141)	(3,621)	(957,481)
Net carrying amount	226,834	176,233	148	403,215
At January 1, 2020, net of accumulated depreciation	226,834	176,233	148	403,215
Additions	99,348	102,405	-	201,753
Disposals	(379)	(4,118)	-	(4,497)
Depreciation provided during the year	(91,225)	(80,218)	(148)	(171,591)
Exchange realignment	4,691	5,923	-	10,614
At December 31, 2020, net of accumulated depreciation	239,269	200,225	-	439,494
At December 31, 2020:				
Cost	982,736	546,372	3,769	1,532,877
Accumulated depreciation	(743,467)	(346,147)	(3,769)	(1,093,383)
Net carrying amount	239,269	200,225	-	439,494

5. FIXED ASSETS (continued)

Company	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Automobiles HK$'000	Total HK$'000
At December 31, 2020 and at January 1, 2021:				
Cost	638,582	329,806	3,769	972,157
Accumulated depreciation	(491,306)	(248,978)	(3,769)	(744,053)
Net carrying amount	147,276	80,828	-	228,104
At January 1, 2021, net of accumulated depreciation	147,276	80,828	-	228,104
Additions	139,276	168,030	-	307,306
Disposals	(5,180)	-	-	(5,180)
Depreciation provided during the year	(75,294)	(58,271)	-	(133,565)
At December 31, 2021, net of accumulated depreciation	206,078	190,587	-	396,665
At December 31, 2021:				
Cost	684,413	497,836	3,031	1,185,280
Accumulated depreciation	(478,335)	(307,249)	(3,031)	(788,615)
Net carrying amount	206,078	190,587	-	396,665

5. FIXED ASSETS (continued)

Company	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Automobiles HK$'000	Total HK$'000
At December 31, 2019 and at January 1, 2020:				
Cost	581,169	277,995	3,769	862,933
Accumulated depreciation	(430,471)	(197,953)	(3,621)	(632,045)
Net carrying amount	150,698	80,042	148	230,888
At January 1, 2020, net of accumulated depreciation	150,698	80,042	148	230,888
Additions	57,413	51,811	-	109,224
Depreciation provided during the year	(60,835)	(51,025)	(148)	(112,008)
At December 31, 2020, net of accumulated depreciation	147,276	80,828	-	228,104
At December 31, 2020:				
Cost	638,582	329,806	3,769	972,157
Accumulated depreciation	(491,306)	(248,978)	(3,769)	(744,053)
Net carrying amount	147,276	80,828	-	228,104

6. INTERESTS IN SUBSIDIARIES

	2021 HK$'000	2020 HK$'000
Insurer:		
Unlisted shares, at cost	869,899	869,899
Due from a subsidiary	110,480	5,039
Non-insurer:		
Unlisted shares, at cost	200,756	200,907
	1,181,135	1,075,845
Impairment	(289,850)	(289,850)
	891,285	785,995

The amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying amount of the amount due from the subsidiary approximates its fair value, and the amount due from a subsidiary is considered as part of the Company's investments in its subsidiary.

Particulars of subsidiaries are as follows:

Name of company	Place of incorporation/ registration	Issued share/ registered capital	Proportion directly held	Principal activities
The Manufacturers (Pacific Asia) Company Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Manulife Consultants Limited	Hong Kong	Ordinary HK$154,353,883	100%	Investment holding
Manulife Financial Investment Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Manulife-Sinochem Life Insurance Company Limited	Shanghai, The People's Republic of China	RMB1,600 million	51%	Life insurance

6. INTERESTS IN SUBSIDIARIES (continued)

Name of unit trusts	Place of incorporation / registration	Percentage of shares held	Number of units held indirectly	Number of units in issue	Principal activities
Manulife Hong Kong Short Term Bond Fund	Hong Kong	98%	913,754,657	934,842,609	Investment trading
Manulife Hong Kong Medium Term Bond Fund	Hong Kong	80%	978,449,379	1,216,384,531	Investment trading

7. INVESTMENT PROPERTY

Reconciliation of fair value movements within level 3 financial investments:
Group and Company

	2021 HK$'000	2020 HK$'000
Carrying amount at January 1	6,940,000	7,400,000
Net loss from fair value adjustment	(50,000)	(460,000)
Carrying amount at December 31	6,890,000	6,940,000

The Group's investment property represents one commercial property in Hong Kong. The Group's investment property was revalued on December 31, 2021 based on valuation performed by Colliers International (Hong Kong) Limited, an independent professionally qualified valuer, at HK$6,890 million. The valuer has adopted direct capitalisation approach and discounted cash flow approach in the valuation of the investment property. The fair value of the investment property was catergorised as Level 3 of the fair value hierarchy as at December 31, 2021. During the year 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Significant unobservable inputs used by the external valuer to the valuation of the investment property in undertaking direct capitalisation approach included estimated gross passing income and the capitalisation rate, by making reference to market rental of neighborhood. In undertaking the discounted cash flow analysis, a wider range of assumptions have to be made including a target or pre-selected internal rate of return, revenue growth, outgoings and its disposal at the end of the investment period.

Significant changes in the estimated rental value and the revenue growth rate per annum in isolation would result in a significant change in the fair value of the investment property. A significant change in the discount rate in isolation would result in a significant change in the fair value of the investment property.

8. GOODWILL

Group and Company

	HK$'000
At December 31, 2020, at January 1, 2021 and December 31, 2021:	
Cost and Net carrying amount	1,122,666
At December 31, 2019, at January 1, 2020 and December 31, 2020:	
Cost and Net carrying amount	1,122,666

9. POLICY LOANS

Policy loans are made to policyholders and are secured by the policies' cash surrender values. Policy loans are stated at amortised cost, interest-bearing at market interest rate and are repayable at the discretion of the policyholders as long as the interest plus the principal of the loans do not exceed the cash value or until the policy matures. The carrying amount of the policy loans approximates their fair values. The effective interest rates of policy loans range from 6.0% to 7.3% per annum (2020: 6.0% to 7.3% per annum).

10. MORTGAGE AND OTHER LOANS

Mortgage and other loans are carried at amortised cost less repayment and any impairment losses.

The fair value of the mortgage loans as at December 31, 2021 was HK$1,499 million (2020: HK$970 million) based on the present value of the estimated future cash flows discounted using the prevailing market rate at the reporting date.

The carrying amount of other loans as at December 31, 2021 was HK$11,318 million (2020: HK$ 8,718 million) which approximates to its fair value.

11. ACCRUED INVESTMENT INCOME

The carrying amount of accrued investment income approximates its fair value at year end and is expected to be realised within a year from the end of the reporting period.

12. PREMIUMS RECEIVABLE

Premiums receivable represents premiums due for payment. The carrying amount of premiums receivable approximates its fair value at year end.

13. LOAN TO AN INTERMEDIATE HOLDING COMPANY

The initial loan to an intermediate holding company was fully repaid in October 2021. The additional loan of US$100 million (HK$772 million) to the intermediate holding company which is repayable by year 2025. Both loans are charged at market interest rate. The carrying amount of the loan balances approximate to their fair value.

14. DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the year are as follows:

Group	Accruals of fee and expenses HK$'000	Insurance and investment contract liabilities HK$'000	Fixed assets HK$'000	Loss available for offsetting against future taxable profits HK$'000	Lease liabilities HK$'000	Revaluation of investment securities HK$'000	Right-of-use assets HK$'000	Total HK$'000
As at January 1, 2020	18,788	6,519	4,295	-	134,749	(290,773)	(124,530)	(250,952)
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 36)	2,849	(1,769)	(842)	-	(39,010)	(374,745)	37,340	(376,177)
Exchange differences	1,314	304	219	-	5,948	(38,587)	(5,428)	(36,230)
As at December 31, 2020 and January 1, 2021	22,951	5,054	3,672	-	101,687	(704,105)	(92,618)	(663,359)
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 36)	1,289	(1,841)	2,253	138,264	(6,809)	(502,449)	8,065	(361,228)
Exchange differences	793	140	154	2,231	3,314	(31,814)	(2,987)	(28,169)
As at December 31, 2021	25,033	3,353	6,079	140,495	98,192	(1,238,368)	(87,540)	(1,052,756)

Company	Lease liabilities HK$'000	Right-of-use assets HK$'000	Fixed assets HK$'000	Total HK$'000
As at January 1, 2020	30,985	(28,096)	-	2,889
Deferred tax (charged)/credited to the statement of profit or loss during the year	(30,985)	28,096	-	(2,889)
As at December 31, 2020 and January 1, 2021	-	-	-	-
Deferred tax credited to the statement of profit or loss during the year	-	-	332	332
As at December 31, 2021	-	-	332	332

15. AMOUNTS DUE FROM/TO AFFILIATES

The balances with affiliates comprise balances with non-insurer subsidiaries, fellow subsidiaries and immediate holding company are unsecured, interest-free and repayable on demand. The carrying amounts of the balances with affiliates approximate their fair values.

16. AMOUNTS DUE FROM/TO REINSURERS

The balances with reinsurers arise from normal course of reinsurance business and are normally settled within a year. Except for the Group and the Company balances with affiliates set out in note 39, all balances are in respect of transactions with external parties. The carrying amounts of the balances with reinsurers approximate their fair values.

17. INVESTMENT SECURITIES

	Group		Company	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Listed debt securities at fair value				
- Hong Kong	31,291,282	38,460,780	16,332,967	23,533,731
- outside Hong Kong	241,964,283	210,504,003	168,490,913	147,342,672
	273,255,565	248,964,783	184,823,880	170,876,403
Listed stocks at fair value				
- Hong Kong	4,239,075	5,556,776	4,239,075	5,556,776
- outside Hong Kong	41,819,285	34,969,567	41,819,285	34,969,567
	46,058,360	40,526,343	46,058,360	40,526,343
Other investments at fair value				
- unlisted debt securities	12,262,224	11,980,951	12,262,224	11,980,951
- unit-linked funds	87,916,693	78,633,294	118,190,411	111,536,630
- private equities	40,650,860	27,194,723	33,134,115	21,267,136
	140,829,777	117,808,968	163,586,750	144,784,717
	460,143,702	407,300,094	394,468,990	356,187,463

The above investment securities as at December 31, 2021 and December 31, 2020 were designated as financial assets at fair value through profit or loss at the date of inception. Please refer to note 41 for the fair value hierarchy of these financial assets.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	Notional amount HK$'000	2021 Assets HK$'000	Liabilities HK$'000
Forward currency contracts	62,164,136	1,395,023	512,991
Interest rate swap	18,471,088	296,311	723,298
Future contracts	38,660,857	533,394	236,707
Equity swaps	67,648	8,935	-
	119,363,729	2,233,663	1,472,996

Company

	Notional amount HK$'000	2021 Assets HK$'000	Liabilities HK$'000
Forward currency contracts	62,164,136	1,395,023	512,991
Interest rate swap	18,471,088	296,311	723,298
Futures contracts	36,146,992	307,495	236,707
Equity swaps	67,648	8,935	-
	116,849,864	2,007,764	1,472,996

Group

	Notional amount HK$'000	2020 Assets HK$'000	Liabilities HK$'000
Forward currency contracts	51,459,369	351,283	1,460,956
Interest rate swap	18,046,293	1,008,923	165,790
Futures contracts	10,332,065	52,834	306,864
Equity swaps	43,735	2,631	-
	79,881,462	1,415,671	1,933,610

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Company

	Notional amount HK$'000	2020 Assets HK$'000	Liabilities HK$'000
Forward currency contracts	51,459,369	351,283	1,460,956
Interest rate swap	18,046,293	1,008,923	165,790
Futures contracts	7,958,121	17,445	306,864
Equity swaps	43,735	2,631	-
	77,507,518	1,380,282	1,933,610

The Group entered into the above derivative financial instruments as economic hedges to manage its investment, interest rate and exchange rate exposure.

The carrying amounts of the above derivative financial instruments are equivalent to their fair values. Please refer to note 41 for the fair value hierarchy of these financial instruments.

19. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents are analysed as follows:

	Group		Company	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Call deposits	1,034,703	1,236,753	224,927	132,869
Current accounts	11,148,751	9,500,655	9,042,582	7,632,825
Cash on hand	33	33	33	33
	12,183,487	10,737,441	9,267,542	7,765,727

(b) Maturity profile of the call deposits

Call deposits of the Group are all with a residual maturity of three months or less. They are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with different creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate their fair values.

19. CASH AND CASH EQUIVALENTS (continued)

(c) Restricted cash and cash equivalent balances

At the end of the reporting period, certain cash and bank balances of the Group denominated in Renminbi ("RMB") amounting to HK$2,500 million (2020: HK$2,809 million) which were held by a subsidiary of the Company could not be freely remitted to the Group because of currency exchange restrictions. However, under Mainland China's current foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

In order to comply with the requirements of the local regulator in Macau, as at the end of the reporting period, certain cash and bank balances of the Group amounting to HK$224 million (2020: HK$134 million) were held at a branch of the Company and could not be freely remitted to the Group.

20. INSURANCE FUNDS

(a) Particulars of the net insurance liabilities are set out below.

	Group		Company	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Insurance contract liabilities	240,499,594	228,026,078	183,407,470	185,770,056
Investment contract liabilities	102,820,960	97,315,212	102,541,846	97,074,446
	343,320,554	325,341,290	285,949,316	282,844,502

20. INSURANCE FUNDS (continued)

(a) Particulars of the net insurance liabilities are set out below. (continued)

The movements of future insurance liabilities under insurance contracts and investment contracts are as follows:

	Group		Company	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Insurance liabilities under insurance contracts				
As at January 1	228,026,078	207,698,897	185,770,056	174,943,621
Premium received	42,728,987	31,317,840	32,754,940	24,591,810
Liability for death	(8,578,630)	(6,279,401)	(5,016,929)	(4,468,353)
Benefits, claims and other experience variance	(3,240,596)	(4,488,687)	(3,714,756)	(4,816,272)
Change in assumptions (note 35)	(9,477,737)	33,657,388	(13,784,591)	33,307,214
Investment income and change in unit price	6,935,801	8,138,584	5,039,521	6,712,789
Deposits	1,994,887	1,763,361	2,003,789	1,763,361
Withdrawals	(2,451,519)	(2,117,009)	(2,431,284)	(2,117,009)
Charges	(190,745)	(139,453)	(190,745)	(139,453)
Exchange realignment	1,775,869	2,482,593	270	383
Change in reinsurance relief (Natural movement)	(2,098,716)	(900,669)	(2,098,716)	(900,669)
Change in reinsurance relief (basis change and management action)	(14,924,085)	(43,107,366)	(14,924,085)	(43,107,366)
As at December 31	240,499,594	228,026,078	183,407,470	185,770,056

Notes:

(1) For China business, "Investment income and change in unit price" is calculated based on average reserve.

(2) The valuation assumptions are reviewed annually. The valuation interest rates for Hong Kong and China have been revised and the liability impact is reported in "Change in assumptions".

	Group		Company	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Insurance liabilities under investment contracts				
As at January 1	97,315,212	81,083,205	97,074,446	80,887,717
Benefit, claims and other experience variance	(2,134)	2,313	125	(154)
Deposits	49,346,896	44,708,893	49,287,153	44,655,041
Withdrawals	(42,260,500)	(35,307,950)	(42,228,449)	(35,280,081)
Charges	(1,693,471)	(1,412,327)	(1,693,471)	(1,412,327)
Interest credited	113,983	8,228,262	108,840	8,223,012
Exchange realignment	974	12,816	(6,798)	1,238
As at December 31	102,820,960	97,315,212	102,541,846	97,074,446

Note: The investment contract liabilities were attributable to investment contracts without DPF.

20. INSURANCE FUNDS (continued)

(b) Life insurance liabilities – assumptions and sensitivities

Liabilities on insurance offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole of life, with fixed benefits paid upon death, and surrender benefits increasing with the duration of policy. Some plans provide guaranteed periodic payments. Most of the whole life insurance products are entitled to annual discretionary dividends.

(i) Key assumptions

For this block of policies and also for endowment and level term products, the assumptions used for the determination of future liabilities are:

Hong Kong, including Macau

Mortality rate:

Expected mortality assumptions are recommended by Mortality Study 2019 where mortality tables are internal tables based on own experience with future mortality improvement (FMI) or external tables from reinsurers or population mortality tables.

Interest rate:

In general, 2.25% grading to 1.90% over 45 years for HKD policies and 2.25% at all years for non HKD (excluding CNY) policies, and 2.44% for CNY policies issued in Hong Kong. For selected par whole life and critical illness products denominated in HKD, 6.71% is used. For selected older products reserved at the cash value level, 1.62% is used.

The method of calculating the liabilities is 1.5 year full preliminary term reserve, with cash value floor plus premium deficiency reserve.

For universal life products, reserves are set equal to surrender value plus unearned cost of insurance ("COI") and accrued interest.

For unit-linked funds, the liabilities are set at the fund account values.

For insurance with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, other than those sold on the level premium basis, the liabilities are the unearned gross premiums. For level premium coverage, the 1.5 year full preliminary term reserve will be used.

20. INSURANCE FUNDS (continued)

(b) Life insurance liabilities – assumptions and sensitivities (continued)

(i) Key assumptions (continued)

The Group's portfolio yields on the assets backing the insurance fund for the past five years are:

Actual portfolio yields at the end of year	2021	2020	2019	2018	2017
Hong Kong, including Macau	2.22%	1.94%	2.60%	3.30%	2.90%
China	3.20%	3.70%	3.60%	4.10%	5.20%

The Group's actual claims as compared to the mortality experience assumed in the calculation of the future insurance contract liabilities for the past five years are:

Actual claims ratio for individual life	2021	2020	2019	2018	2017
Hong Kong, including Macau	95%	95%	91%	85%	87%

Note: Hong Kong, including Macau, accounts for about 83% of the Group in terms of the long-term insurance fund.

(ii) Sensitivities

	2021				2020			
(In HKD million)	Change in assumption %	Impact on insurance liabilities *	Impact on profit before tax*	Impact on equity*	Change in assumption %	Impact on insurance liabilities *	Impact on profit before tax*	Impact on equity*
Morbidity/ mortality assumptions	5%	1,825	(1,825)	(1,825)	5%	1,693	(1,693)	(1,693)
Discount rate assumptions	-0.5%	43,617	(43,617)	(43,617)	-0.5%	41,801	(41,801)	(41,801)

There is no lapse assumption under 1.5 year full preliminary term reserve method for the individual block. There are lapse assumptions for pensions and variable annuity guaranteed reserves and the impact of lapse on these reserves is minimal.

* Assume 100% ownership for Manulife-Sinochem Life Insurance Company Limited's business

20. INSURANCE FUNDS (continued)

(b) Life insurance liabilities – assumptions and sensitivities (continued)

(iii) Reinsurance

The Group limits its exposure to losses within insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is either placed on a quota share basis or a risk premium basis with retention limits varying by product lines. Even though the Group may have reinsurance arrangements, these do not relieve its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

20. INSURANCE FUNDS (continued)

(b) Life insurance liabilities – assumptions and sensitivities (continued)

(iv) Concentration of insurance risk

The table below sets out the concentration of life insurance and investment contracts with liabilities by type of contract for the Group:

In HK$'000	2021			2020		
	Gross liabilities	Reinsurers' share of liabilities	Net liabilities	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
Whole life	195,710,447	(54,680,223)	141,030,224	180,915,636	(41,503,586)	139,412,050
Endowment	32,496,340	(7,437,857)	25,058,483	29,767,857	(5,950,889)	23,816,968
Unit linked	22,558,434	-	22,558,434	22,182,944	-	22,182,944
Others	61,845,541	(9,993,088)	51,852,453	49,177,441	(6,563,325)	42,614,116
Total life insurance contracts	312,610,762	(72,111,168)	240,499,594	282,043,878	(54,017,800)	228,026,078
Pension	57,913,707	-	57,913,707	60,197,546	-	60,197,546
Individual	44,907,253	-	44,907,253	37,117,666	-	37,117,666
Total investment contracts	102,820,960	-	102,820,960	97,315,212	-	97,315,212
Total life insurance and investment contracts	415,431,722	(72,111,168)	343,320,554	379,359,090	(54,017,800)	325,341,290

20. INSURANCE FUNDS (continued)

(b) Life insurance liabilities – assumptions and sensitivities (continued)

(iv) Concentration of insurance risk (continued)

The geographical concentration of the Group's life insurance contracts liabilities is noted below.

Life insurance contracts

In HK$'000	2021			2020		
	Gross liabilities	Reinsurers' share of liabilities	Net liabilities	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
Hong Kong	252,468,193	(69,060,723)	183,407,470	238,148,054	(52,377,998)	185,770,056
China	60,142,569	(3,050,445)	57,092,124	43,895,824	(1,639,802)	42,256,022
Total life insurance contracts	312,610,762	(72,111,168)	240,499,594	282,043,878	(54,017,800)	228,026,078

20. INSURANCE FUNDS (continued)

(b) Life insurance liabilities – assumptions and sensitivities (continued)

(iv) Concentration of insurance risk (continued)

The geographical concentration of the Group's investment contracts liabilities is noted below.

Investment contracts

In HK$'000	2021			2020		
	Gross liabilities	Reinsurers' share of liabilities	Net liabilities	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
Hong Kong	102,541,846	-	102,541,846	97,074,446	-	97,074,446
China	279,114	-	279,114	240,766	-	240,766
Total investment contracts	102,820,960	-	102,820,960	97,315,212	-	97,315,212

(v) Mismatching risk of assets and liabilities

The Group manages the portfolio to minimise interest rate risk and to maximise the rate of return subject to local regulatory investment rules, internal investment parameters, tax considerations, credit quality considerations and capital market conditions and long run expectations. The Group seeks to position the investment portfolio strategically to maximise returns consistent with the preservation of capital and management of risk. The investment strategy is based on a combination of fixed income and non-fixed income assets. The fixed income investments are rebalanced periodically to minimise the duration gap of assets and liabilities and to allow the portfolio to take advantage of capital market developments. Besides, the investment strategy provides a high diversification benefit which can be achieved through investing in multiple asset classes (e.g. bond, public / private equity, real estate).

21. POLICYHOLDER AMOUNTS ON DEPOSIT

Policyholder amounts on deposit represent payable balances left with the Group by policyholders for the payment of future premiums. The carrying amount of policyholder amounts on deposit approximates its fair value.

22. CLAIMS PAYABLE

The provision for claims reported by policyholders, claims incurred but not paid are analysed as follows:

	Group		Company	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Long term business claims admitted but not paid in respect of:				
Life and annuity business	2,236,352	2,211,453	2,225,363	2,199,367
Linked long term business	69,222	50,264	69,222	50,264
Retirement scheme management category I	4,796	5,001	4,796	5,001
Retirement scheme management category III	123,145	128,910	84,007	84,470
	2,433,515	2,395,628	2,383,388	2,339,102

	Group		Company	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
As at January 1	2,395,628	2,348,621	2,339,102	2,264,372
Provided during the year	16,937,602	14,433,476	14,575,821	12,728,233
Paid during the year	(16,904,244)	(14,386,287)	(14,536,064)	(12,653,321)
Exchange realignment	4,529	(182)	4,529	(182)
As at December 31	2,433,515	2,395,628	2,383,388	2,339,102

The claims payable are usually settled within a year. The carrying amount of the balance approximates its fair value.

23. NET ASSET VALUE ATTRIBUTABLE TO UNIT-HOLDERS

Unit-trust funds in which the Group has a controlling interest are consolidated. The units not owned by the Group are treated as a liability and amount to HK$5,274 million (2020: HK$5,213 million). Loss attributable to unit-holders for the year is HK$46 million (Profit for 2020: HK$314 million).

24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Group		Company	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts in respect of direct insurance business	6,898,600	5,786,502	2,784,187	2,310,420
Other accounts payable and accrued liabilities	3,115,623	2,678,660	2,859,948	2,397,137
Lease liabilities (note 26)	1,054,043	702,616	661,276	295,866
Fund withheld under reinsurance contract	52,870,723	36,331,300	52,870,723	36,331,300
	63,938,989	45,499,078	59,176,134	41,334,723

Accounts payable and accrued liabilities are non-interest bearing and repayable within a year. The carrying amounts of the accounts payable and accrued liabilities approximate their fair values. Included in the balance is a loan commitment which is classified under financial liabilities at fair value through profit or loss of HK$475 million (2020: HK$430 million).

25. OBLIGATION UNDER REPURCHASE AGREEMENTS

Obligation under repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not derecognised from the Group's statement of financial position and are retained within the appropriate financial asset classification.

The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities. All the accounts payable under repurchase agreements are repayable on demand with pre-agreed fixed interest rates. As at December 31, 2021, the carrying amount of the underlying securities was HK$1,497 million, equivalent to RMB1,220 million (2020: HK$238 million), which were recognised in financial assets measured at fair value through profit or loss.

At December 31, 2021	Gross amounts of recognised financial instruments HK$'000	Gross amounts offset in the balance sheet HK$'000	Net amounts of financial instruments presented in the balance sheet HK$'000	Related amounts not set off in the balance sheet as financial instruments HK$'000
Obligation under repurchase agreements	1,496,978	-	1,496,978	1,496,978

25. OBLIGATION UNDER REPURCHASE AGREEMENTS

At December 31, 2020	Gross amounts of recognised financial instruments HK$'000	Gross amounts offset in the balance sheet HK$'000	Net amounts of financial instruments presented in the balance sheet HK$'000	Related amounts not set off in the balance sheet as financial instruments HK$'000
Obligation under repurchase agreements	237,631	-	237,631	237,631

As at December 31, 2021, the carrying value of obligation under repurchase agreements approximates their fair value.

Subsequent to the reporting period, obligation under repurchase agreements have been fully settled by the Group.

26. LEASES

The Group as a lessee

(a) The carrying amounts of the right-of-use assets (included in other assets) and lease liabilities (included in accounts payable and accrued liabilities), and the movement during the year are as follows:

	Group		Company	
	Right-of-use assets HK$'000	Lease liabilities HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000
At January 1, 2020	784,280	854,210	398,542	439,153
Additions	150,431	149,904	48,880	48,880
Depreciation provided during the year (note 32)	(322,566)	-	(189,154)	-
Interest expense	-	30,597	-	12,913
Payments	-	(350,580)	-	(205,151)
Others	16,668	18,485	71	71
At December 31, 2020 and at January 1, 2021	628,813	702,616	258,339	295,866
Additions	713,206	705,056	593,868	585,718
Depreciation provided during the year (note 32)	(317,493)	-	(165,697)	-
Interest expense	-	23,236	-	8,377
Payments	-	(353,757)	-	(192,499)
Others	(112,205)	(23,108)	(124,351)	(36,186)
At December 31, 2021	912,321	1,054,043	562,159	661,276

The Group had no significant profit or loss from subleasing the right-of-use assets or sale and leaseback transactions for the year ended December 31, 2021.

26. LEASES (continued)

(b) The amount recognised in profit or loss in relation to leases are as follows:

	Group	
	2021	2020
	HK$'000	HK$'000
Interest on lease liabilities	23,236	30,597
Depreciation charge of right-of-use assets	317,493	322,566
Expense relating to short-term leases and other leases with remaining lease terms ended on or before end of the year	2,131	9,025
Expense relating to leases of low-value assets (included in general expenses)	14,283	7,404
Total amount recognised in profit or loss	357,143	369,592

The Group as a lessor

The Group leases its investment property (note 7) consisting of one commercial property in Hong Kong under operating lease arrangement. The terms of the lease generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group during the year was HK$246 million (2020: HK$281 million).

At December 31, 2021, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021	2020
	HK$'000	HK$'000
Within one year	200,339	250,556
After one year but within two years	199,699	883
After two years but within three years	198,446	243
	598,484	251,682

27. SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised:		
10% non-cumulative, non-voting, redeemable preference shares of US$100 each	38,782	38,782
8.8% non-cumulative, non-voting preferred shares, Series A of US$50 each	1,548,000	1,548,000
Common shares of US$1 each	37,178,147	37,178,147
	38,764,929	38,764,929
Issued and fully paid:		
2,034,741,502 (2020:2,034,741,502) common shares with par value of US$1 each	15,791,430	15,791,430

A summary of movement in the Company's issued share capital is as follows:

	Number of issued shares	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At January 1, 2020	1,184,875,621	9,193,123	2,145,943	11,339,066
Capital injection	849,865,881	6,598,307	-	6,598,307
At December 31, 2020, January 1, 2021 and December 31, 2021	2,034,741,502	15,791,430	2,145,943	17,937,373

Capital injection amounting to US$150 million, US$150 million, US$200 million, US$200 million and USD150 million were made on March 3, 2020, March 9, 2020, March 10, 2020, April 14, 2020 and December 28, 2020 respectively by its immediate holding company, Manulife International Holdings Limited. Pursuant to the capital injection, issued and fully paid share capital increased from HK$9,193 million to HK$15,791 million. The Company increased the authorized share capital by 2,802 million common shares of US$1 each on March 30, 2020.

28. DIVIDENDS

Dividends paid during the year are as follows:

	2021 HK$'000	2020 HK$'000
Common shares: US$0.246 per share(2020: US$Nil)	3,895,650	-

29. PREMIUM INCOME

	Group	
	2021	2020
	HK$'000	HK$'000
Single premium	17,112,001	7,713,578
First year premium	7,407,616	7,701,210
Renewal premium	39,041,881	35,698,311
Reinsurance premium accepted	200,517	191,413
Gross premium income	63,762,015	51,304,512
Less: reinsurance premium ceded	(28,914,961)	(48,727,030)
Total premium income	34,847,054	2,577,482

30. INVESTMENT INCOME

	Group	
	2021	2020
	HK$'000	HK$'000
Interest income on debt securities	6,633,442	6,062,736
Realised gain on debt securities	95,912	1,262,746
Realised gain on listed stocks, unlisted unit-linked funds and derivative financial instruments	10,524,846	3,069,100
Unrealised (loss)/gain in value of listed investments, unlisted unit-linked funds and derivative financial instruments	(5,663,527)	21,716,922
Fair value loss on investment property	(50,000)	(460,000)
(Loss)/ Profit attributable to unit holders	(45,522)	313,878
Dividend income	6,657,145	5,438,484
Mortgage and other loan interest income	525,743	303,437
Bank interest income	192,283	188,500
Policy loan interest income	421,283	394,995
Exchange (loss)/gain	(36,318)	137,936
Investment gain/(loss) under reinsurance contract	265,524	(2,296,859)
Others	369,043	305,240
	19,889,854	36,437,115

31. OTHER REVENUE

	Group	
	2021	2020
	HK$'000	HK$'000
Management fees	4,314,692	3,501,174
Policy and redemption charges	757,803	732,953
Ceded expense allowance	7,165,601	14,274,304
Others	226,415	272,734
	12,464,511	18,781,165

32. GENERAL EXPENSES AND COMMISSIONS

		Group	
	Notes	2021	2020
		HK$'000	HK$'000
Employee benefits expense		2,320,347	2,121,488
Depreciation charge of right-of-use assets	26	317,493	322,566
Expense relating to short-term leases and other leases with remaining lease terms ended on or before end of the year	26	2,131	9,025
Expense relating to leases of low-value assets	26	14,283	7,404
Amortisation of intangible assets	4	28,726	26,319
Depreciation	5	212,127	171,591
Auditor's remuneration		8,589	9,416
Commissions		8,482,701	7,411,259
Other expenses		1,982,788	2,085,084
		13,369,185	12,164,152

33. EXECUTIVE STOCK OPTION PLAN, RESTRICTED SHARE UNIT PLAN AND PERFORMANCE SHARE UNIT PLAN OF ULTIMATE HOLDING COMPANY

The ultimate holding company grants stock options under its Executive Stock Option Plan ("ESOP") to selected individuals. The options provide the holder the right to purchase Manulife Financial Corporation ("MFC") common shares at an exercise price equal to the higher of the prior day, prior five-day or prior ten-day average closing market price of the shares on the Toronto Stock Exchange on the date the options are granted. The options vest over a period not exceeding four years and expire not more than 10 years from the grant date. Effective with the 2015 grant, options may only be exercised after the fifth-year anniversary. A total of 73.6 million common shares have been reserved for issuance under the ESOP.

In addition to ESOP, the ultimate holding company of the Company also granted restricted share units ("RSU") and performance share units ("PSU") to certain employees (including directors) of the Company for their service rendered to the Company. Each RSU and PSU entitles the holder 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. RSU and PSU granted in February 2021 will vest after 36 months from their grant date and the related compensation expense is recognised over these periods, except where the employee is eligible to retire prior to a vesting date, in which case the cost is recognised over the period between the grant date and the date on which the employee is eligible to retire.

33. EXECUTIVE STOCK OPTION PLAN, RESTRICTED SHARE UNIT PLAN AND PERFORMANCE SHARE UNIT PLAN OF ULTIMATE HOLDING COMPANY (continued)

Details of the ESOP outstanding during the year ended December 31, 2021 were as follows:

	2021		2020	
	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD	Number of options
At January 1	22.22	55,923	21.26	187,900
Granted during the year	-	-	24.38	26,155
Employees transferred out during the year	-	-	21.50	(153,477)
Exercised during the year	-	-	19.48	(4,655)
Expired during the year	-	-	-	-
At December 31	22.22	55,923	22.22	55,923

The exercise prices and exercise periods of the share options outstanding as at the end of each reporting period are as follows:

2021

Exercise Period	Exercise Prices*	Number of options
	CAD	
March 3, 2021 to March 5, 2030	24.38	26,155
March 5, 2020 to March 5, 2029	22.60	16,215
February 23, 2017 to February 23, 2026	17.59	13,553
		55,923

2020

Exercise Period	Exercise Prices*	Number of options
	CAD	
March 3, 2021 to March 5, 2030	24.38	26,155
March 5, 2020 to March 5, 2029	22.60	16,215
February 23, 2017 to February 23, 2026	17.59	13,553
		55,923

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the share capital of the ultimate holding company.

33. EXECUTIVE STOCK OPTION PLAN, RESTRICTED SHARE UNIT PLAN AND PERFORMANCE SHARE UNIT PLAN OF ULTIMATE HOLDING COMPANY (continued)

The fair value of the share options, RSUs and PSUs granted during the year was HK$28 million (2020: HK$27 million).

As at December 31, 2021, the carrying value of the RSU and PSU liabilities amounted to HK$56 million (2020: HK$38 million).

The fair value of equity-settled share options granted is estimated at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the options granted in 2020.No stock options were granted in 2021.

	2021	2020
Dividend yield (%)	N/A	3.5%
Expected volatility (%)	N/A	23%
Risk-free interest rate (%)	N/A	1.5%
Expected life of option (year)	N/A	8.00
Share price at grant date (CAD)	N/A	24.38

The expected life of the options is based on the historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of the options were incorporated into the measurement of fair value.

34. DIRECTORS' REMUNERATION

The directors received remuneration for their services rendered to the Group for the year amounting to HK$23 million (2020: HK$20 million).

The aggregate amount of remuneration of the three highest paid directors amounted to HK$23 million (2020: HK$20 million).

35. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Group 2021 HK$'000	2020 HK$'000
Staff costs:			
Wages and salaries		2,217,007	2,022,189
Pension contribution from employer		84,287	79,880
Share-based payment expenses		19,053	19,419
		2,320,347	2,121,488
Interest on lease liabilities	26	23,236	30,597
Depreciation charge of right-of-use assets	26	317,493	322,566
Amortisation of intangible assets	4	28,726	26,319
Depreciation	5	212,127	171,591
Loss on disposal of fixed assets		5,935	4,497
Auditor's remuneration		8,589	9,416
(Decrease)/ Increase in insurance funds liabilities arising from changes in assumptions	20(a)	(9,477,737)	33,657,388
Exchange loss/ (gain)		36,318	(137,936)
Realised gain on debt securities		(95,912)	(1,262,746)
Realised gain on listed stocks, unlisted unit-linked funds and derivative financial instruments		(10,524,846)	(3,069,100)
Unrealised loss/(gain) in value of listed investments, unlisted unit-linked funds and derivative financial instruments		5,663,527	(21,716,922)
Fair value loss on investment property	7	50,000	460,000
Interest income on debt securities		(6,633,442)	(6,062,736)
Dividend income		(6,657,145)	(5,438,484)
Policy loan interest income		(421,283)	(394,995)
Investment (gain)/loss under reinsurance contract		(265,524)	2,296,859

36. INCOME TAXES

(a) Tax charge

Hong Kong profits tax has been provided at the rate of 8.25% for first HK$2 million, remaining at 16.5% on the estimated assessable profits arising in Hong Kong during the year (2020: 8.25% for first HK$2 million, remaining at 16.5% on the estimated assessable profits). Tax on profits assessable elsewhere has been calculated at the rate of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	Group	
	2021	2020
	HK$'000	HK$'000
Current tax charge/(credit) for the year – Hong Kong	205,045	(50,339)
Overprovision in prior year – Hong Kong	(884)	(3,948)
Deferred tax charge for the year – Hong Kong (note 14)	-	2,889
Current tax charge for the year – elsewhere	7,334	18,006
Deferred tax charge for the year – elsewhere (note 14)	361,228	373,288
Total tax charge for the year	572,723	339,896

36. INCOME TAXES (continued)

(b) Reconciliation between accounting profit and tax charge

A reconciliation of tax expense applicable to profit before tax using statutory rate and the tax expense at the effective rate is as follows:

	Group	
	2021	2020
	HK$'000	HK$'000
Profit before tax from continuing operations	24,465,436	5,222,819
Less: Profit attributable to businesses on which profits tax is levied based on premium income	(23,180,209)	(2,851,038)
Profit attributable to businesses on which profits tax is levied based on the results	1,285,227	2,371,781
Tax at the statutory tax rate (note a)	211,897	391,179
Tax effect of income not subject to tax	(6,346)	(201,187)
Tax effect of expense not deductible for tax	5,973	3,257
Tax effect of retirement scheme management accounting profits not subject to tax	(246,865)	(210,186)
Overprovision of profits tax in prior year	(884)	(3,948)
Others	5,024	15,075
Tax charge for businesses for which profits tax is levied based on the results in Hong Kong	(31,201)	(5,810)
Tax charge for businesses for which profits tax is levied based on premium income in Hong Kong	235,362	(48,477)
Deferred tax charge for the year – Hong Kong	-	2,889
Current tax charge for the year – elsewhere (note b)	7,334	18,006
Deferred tax charge for the year – elsewhere (note b)	361,228	373,288
Total tax charge for the year	572,723	339,896

Notes:

(a) Statutory tax rate is referring to Hong Kong profits tax rate at 16.5%.

(b) Mainland China profits tax has been provided at the rate of 25%; Macau profits tax has been provided at the rate of 12%.

37. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit for the year attributable to equity holders for the year ended December 31, 2021 dealt with in the financial statements of the Group and the Company is as follows:

	2021 HK$'000	2020 HK$'000
Group	24,152,027	3,747,203
Company	23,954,434	2,496,108

38. COMMITMENTS

(a) Derivatives commitments

At the end of the reporting period, the Group and the Company had outstanding equity index futures contracts amounting to HK$380 million (2020: HK$254 million) in relation to the life insurance business.

(b) Capital commitments

At the end of the reporting period, the Group and the Company had total future contractual capital commitments falling due as follows:

	Group		Company	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
On demand (note)	14,670,980	9,561,168	14,497,033	9,275,381

Note:
The Group and Company had contracted for private equity investments which capital commitments are due on demand.

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial statements, the Company had the following material transactions with related parties during the year:

	Notes	2021 HK$'000	2020 HK$'000
Manulife Provident Funds Trust Company Limited			
Management service fee income	(i)	3,588,101	2,911,837
Manulife Investment Management (Hong Kong) Limited			
Trailer fee income	(ii)	217,827	181,816
Rental income	(iii)	15,334	17,971
Investment management service fee	(iv)	(187,436)	(169,813)
Manulife General Account Investments (HK) Limited			
Investment management service fee	(iv)	(389,198)	(274,125)
Manufacturers Life Insurance Company ("MLI")			
Management fee expense	(v)	(73,113)	(64,208)
Manulife (Singapore) Pte. Ltd.			
Reinsurance premiums accepted	(vi)	119,583	112,545
Reinsurance claims	(vi)	(74,291)	(99,853)
PT Asuransi Jiwa Manulife Indonesia			
Reinsurance premiums accepted	(vi)	16,750	19,722
Reinsurance claims	(vi)	(35,846)	(17,370)
Manulife Data Services Inc. ("MDSI")			
Business processing service fee	(vii)	(53,160)	(49,246)
Manulife Information & Technologies Service (Chengdu) Company Limited ("MITS")			
Business processing service fee	(vii)	(184,065)	(135,667)
Manulife Financial Asia Limited ("MFAL")			
Interest income on loan	(viii)	18,890	23,175
Rental income	(iii)	201,206	230,764
Administration and service fees	(ix)	(659,177)	(213,550)
Recharge relating to distribution services	(x)	(100,015)	(66,057)

39. RELATED PARTY TRANSACTIONS (continued)

(a) In addition to the transactions detailed elsewhere in this financial statements, the Company had the following material transactions with related parties during the year: (continued)

	Notes	2021 HK$'000	2020 HK$'000
Manufacturers Life Reinsurance Limited ("MLRL")			
Reinsurance premium ceded	(xi)	(25,943,775)	(45,762,410)
Investment loss/(gain) ceded	(xi)	265,524	(2,296,859)
Expense allowance ceded	(xi)	7,165,375	14,274,122
Policyholder benefits ceded	(xi)	6,076,088	7,684,660

Notes:

i. The management service fee was based on the provident funds services provided by the Company and the amount was determined by the Group and Manulife Provident Funds Trust Company Limited.

ii. The trailer fee arose from the sales of mutual funds by the Company's agents and was calculated based on the assets under management.

iii. The rental income arose from the rental of office premises owned by the Company and the rental amount determined with reference to market practice.

iv. The investment management service fee arose from the investment and related advisory services provided by Manulife Investment Management (Hong Kong) Limited and Manulife General Account Investments (HK) Limited and was calculated based on the assets under management.

v. The management fee was allocated by MLI and was determined by the Group and the Company.

vi. The reinsurance premiums accepted and reinsurance claims were based on the Automatic Reinsurance Agreement between the Group and Manulife (Singapore) Pte. Ltd and PT Asuransi Jiwa Manulife Indonesia.

vii. The business processing service fee was based on the administrative and business processing services and IT development services provided by MDSI and MITS respectively, it was determined according to fair market value by reference to the market practice.

viii. The interest on loan was charged based on market interest rate.

ix. The administration and services fee arose from the provision of management oversight, governance and guidance in various operating functions as well as the provision of office premises and facilities for use by the appointed insurance agents and the amount was determined by the Group and MFAL.

39. RELATED PARTY TRANSACTIONS (continued)

(a) In addition to the transactions detailed elsewhere in this financial statements, the Company had the following material transactions with related parties during the year: (continued)

x. The recharge was determined with reference to the distribution agreement between MFAL and the distributor.

xi. The ceded income and expenses arose from the reinsurance arrangement between the Company and MLRL.

(b) Compensation of key management personnel of the Group:

	Group	
	2021	2020
	HK$'000	HK$'000
Short term employee benefits	17,092	14,996
Post-employment benefits	470	464
Share-based payments	5,149	4,900
Total compensation paid to key management personnel	22,711	20,360

Further details of directors' remunerations are included in note 34 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying values of each of the categories of financial instruments as at December 31, 2021 and 2020 are as follows.

2021

Financial assets		Group		Company	
	Notes	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets at fair value through profit or loss	Loans and receivables
		HK$'000	HK$'000	HK$'000	HK$'000
Policy loans	(i)	-	6,880,483	-	4,744,851
Mortgage and other loans	(i)	-	12,802,126	-	1,484,515
Accrued investment income	(i)	-	2,717,467	-	1,900,651
Premiums receivable	(i)	-	1,949,488	-	834,787
Loan to an intermediate holding company	(i)	-	629,112	-	629,112
Amounts due from affiliates	(i)	-	345,044	-	1,619,146
Amounts due from reinsurers	(i)	-	752,299	-	91,329
Financial assets included in other assets	(i)	-	2,332,725	-	2,047,259
Investment securities	(ii)	460,143,702	-	394,468,990	
Derivative financial instruments	(ii)	2,233,663	-	2,007,764	
Cash and cash equivalents	(i)	-	12,183,487		9,267,542
Total financial assets		462,377,365	40,592,231	396,476,754	22,619,192

Financial liabilities	Group		Company	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost (Notes)	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost (Notes)
	HK$'000	HK$'000	HK$'000	HK$'000
Policyholder amounts on deposit	-	30,837,893	-	26,214,449
Amount due to affiliates	-	2,590,546	-	2,584,629
Derivative financial instruments	1,472,996		1,472,996	-
Amounts due to reinsurers	-	640,785	-	32,850
Claims payable	-	2,433,515	-	2,383,388
Financial liabilities included in accounts payable	475,245	6,882,323	475,245	2,860,153
Obligation under repurchase agreements	-	1,496,978	-	-
Total financial liabilities	1,948,241	44,882,040	1,948,241	34,075,469

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying values of each of the categories of financial instruments as at December 31, 2021 and 2020 are as follows: (continued)

2020

Financial assets		Group		Company	
	Notes	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets at fair value through profit or loss	Loans and receivables
		HK$'000	HK$'000	HK$'000	HK$'000
Policy loans	(i)	-	6,434,427	-	4,868,291
Mortgage and other loans	(i)	-	9,635,654	-	917,524
Accrued investment income	(i)	-	2,579,370	-	1,815,844
Premiums receivable	(i)	-	1,814,756	-	796,553
Loan to an intermediate holding company	(i)	-	1,003,191	-	1,003,191
Amounts due from affiliates	(i)	-	312,874	-	1,650,846
Amounts due from reinsurers	(i)	-	462,635	-	161,084
Financial assets included in other assets	(i)	-	1,419,931	-	1,333,651
Investment securities	(ii)	407,300,094	-	356,187,463	-
Derivative financial instruments	(ii)	1,415,671	-	1,380,282	-
Cash and cash equivalents	(i)	-	10,737,441	-	7,765,727
Total financial assets		408,715,765	34,400,279	357,567,745	20,312,711

Financial liabilities	Group		Company	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost (Notes)	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost (Notes)
	HK$'000	HK$'000	HK$'000	HK$'000
Policyholder amounts on deposit	-	30,326,970	-	26,281,735
Amount due to affiliates	-	1,359,159	-	1,349,890
Derivative financial instruments	1,933,610	-	1,933,610	-
Amounts due to reinsurers	-	396,008	-	59,786
Claims payable	-	2,395,628	-	2,339,102
Financial liabilities included in accounts payable	430,167	5,618,158	430,167	2,366,104
Obligation under repurchase agreements	-	237,631	-	-
Total financial liabilities	2,363,777	40,333,554	2,363,777	32,396,617

Notes:
Contractual cashflow characteristics respond to temporary exemption from applying HKFRS 9. The Group's and the Company's financial assets are separated into two groups:
(i) Financial assets with contractual terms that give rise to cash flow that are solely payment of principal and interest on the principle amount outstanding ("SPPI") in accordance with HKFRS 9 and are not held for trading or managed on fair value basis. The carrying values of loans and receivables set out above approximate their fair values;
(ii) Financial assets at fair value through profit or loss other than those specified in (i).

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, premium receivables, accrued investment income, financial assets included in other assets, claims payable, financial liabilities included in account payables and amounts with affiliates approximate to their carrying amounts largely due to the short term maturities of these instruments. For policy loans, investment securities and derivative financial instruments without specific maturities, the carrying amounts approximate to their fair value.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity and fixed income investments are based on quoted market prices.

The fair values of unlisted debt securities and mortgage loans are valued internally by using a discounted cash flow model by applying observable market data, like sovereign and industry curves and spreads based on security specific characteristics. Inputs to the valuation include credit rating, credit spreads, treasury yields and issue-specific liquidity adjustments. The carrying amounts of unlisted debt securities and mortgage loans approximate their fair values.

The fair values of unlisted private equities have been based on the reported net asset value ("NAV") in their audited financial statements. The Management has obtained the audited financial statements from investees and considered various factors when assessing whether the reported NAV represents the fair value of the investments. These factors include the accounting policies adopted by the investees, the restrictions and barriers preventing the Company from disposing the investments, the Company's ownership percentage over the investee and other relevant factors. Fair value will be adjusted when such factors suggest the reported NAV does not represent its fair value. In 2020 and 2021, no reported NAV has been adjusted. The directors believe that the fair values resulting from the reported NAV, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with sound credit ratings. Derivative financial instruments, including forward currency contracts and equity swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and equity swaps are the same as their fair values.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair values hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at December 31, 2021 and 2020.

Group

December 31, 2021	Notes	Level 1 Quoted prices in active markets HK$'000	Level 2 Significant observable inputs HK$'000	Level 3 Significant unobservable inputs HK$'000	Total fair value HK$'000
Financial assets designated at fair value through profit or loss:					
Listed debt securities	17	273,255,565	-	-	273,255,565
Listed stocks	17	46,058,360	-	-	46,058,360
Unlisted debt securities	17	-	12,262,224	-	12,262,224
Unlisted unit-linked funds	17	-	87,916,693	-	87,916,693
Private equities	17	-	-	40,650,860	40,650,860
		319,313,925	100,178,917	40,650,860	460,143,702
Derivative financial instruments:					
Forward currency contracts	18	-	1,395,023	-	1,395,023
Interest rate swap	18	-	296,311	-	296,311
Futures contracts	18	75,815	457,579	-	533,394
Equity swaps	18	-	8,935	-	8,935
		75,815	2,157,848	-	2,233,663
Total financial assets		319,389,740	102,336,765	40,650,860	462,377,365

	Note	Level 1 Quoted prices in active markets HK$'000	Level 2 Significant observable inputs HK$'000	Level 3 Significant unobservable inputs HK$'000	Total fair value HK$'000
Financial liabilities designated at fair value through profit or loss:					
Financial liabilities included in accounts payable		475,245	-	-	475,245
Derivative financial instruments:					
Forward currency contracts	18	-	512,991	-	512,991
Interest rate swap	18	-	723,298	-	723,298
Futures contracts	18	992	235,715	-	236,707
		992	1,472,004	-	1,472,996
Total financial liabilities		476,237	1,472,004	-	1,948,241

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair values hierarchy (continued)

Group

December 31, 2020	Notes	Level 1 Quoted prices in active markets	Level 2 Significant Observable inputs	Level 3 Significant unobservable inputs	Total fair value
		HK$'000	HK$'000	HK$'000	HK$'000
Financial assets designated at fair value through profit or loss:					
Listed debt securities	17	248,964,783	-	-	248,964,783
Listed stocks	17	40,526,343	-	-	40,526,343
Unlisted debt securities	17	-	11,980,951	-	11,980,951
Unlisted unit-linked funds	17	-	78,633,294	-	78,633,294
Private equities	17	-	-	27,194,723	27,194,723
		289,491,126	90,614,245	27,194,723	407,300,094
Derivative financial instruments:					
Forward currency contracts	18	-	351,283	-	351,283
Interest rate swap	18	-	1,008,923	-	1,008,923
Futures contracts	18	9,921	42,913	-	52,834
Equity swaps	18	-	2,631	-	2,631
		9,921	1,405,750	-	1,415,671
Total financial assets		289,501,047	92,019,995	27,194,723	408,715,765

	Note	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total fair value
		HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities designated at fair value through profit or loss:					
Financial liabilities included in accounts payable		430,167	-	-	430,167
Derivative financial instruments:					
Forward currency contracts	18	-	1,460,956	-	1,460,956
Interest rate swap	18	-	165,790	-	165,790
Futures contracts	18	3,283	303,581	-	306,864
		3,283	1,930,327	-	1,933,610
Total financial liabilities		433,450	1,930,327	-	2,363,777

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair values hierarchy (continued)

Company

December 31, 2021	Notes	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total fair value
		HK$'000	HK$'000	HK$'000	HK$'000
Financial assets designated at fair value through profit or loss:					
Listed debt securities	17	184,823,880	-	-	184,823,880
Listed stocks	17	46,058,360	-	-	46,058,360
Unlisted debt securities	17	-	12,262,224	-	12,262,224
Unlisted unit-linked funds	17	-	118,190,411	-	118,190,411
Private equities	17	-	-	33,134,115	33,134,115
		230,882,240	130,452,635	33,134,115	394,468,990
Derivative financial instruments:					
Forward currency contracts	18	-	1,395,023	-	1,395,023
Interest rate swap	18	-	296,311	-	296,311
Futures contracts	18	75,815	231,680	-	307,495
Equity swaps	18	-	8,935	-	8,935
		75,815	1,931,949	-	2,007,764
Total financial assets		230,958,055	132,384,584	33,134,115	396,476,754

	Note	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total fair value
		HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities designated at fair value through profit or loss:					
Financial liabilities included in accounts payable		475,245	-	-	475,245
Derivative financial instruments:					
Forward currency contracts	18	-	512,991	-	512,991
Interest rate swap	18	-	723,298	-	723,298
Futures contracts	18	992	235,715	-	236,707
		992	1,472,004	-	1,472,996
Total financial liabilities		476,237	1,472,004	-	1,948,241

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair values hierarchy (continued)

Company

December 31, 2020	Notes	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total fair value
		HK$'000	HK$'000	HK$'000	HK$'000
Financial assets designated at fair value through profit or loss:					
Listed debt securities	17	170,876,403	-	-	170,876,403
Listed stocks	17	40,526,343	-	-	40,526,343
Unlisted debt securities	17	-	11,980,951	-	11,980,951
Unlisted unit-linked funds	17	-	111,536,630	-	111,536,630
Private equities	17	-	-	21,267,136	21,267,136
		211,402,746	123,517,581	21,267,136	356,187,463
Derivative financial instruments:					
Forward currency contracts	18	-	351,283	-	351,283
Interest rate swap	18	-	1,008,923	-	1,008,923
Futures contracts	18	9,921	7,524	-	17,445
Equity swaps	18	-	2,631	-	2,631
		9,921	1,370,361	-	1,380,282
Total financial assets		211,412,667	124,887,942	21,267,136	357,567,745

	Note	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total fair value
		HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities designated at fair value through profit or loss:					
Financial liabilities included in accounts payable		430,167	-	-	430,167
Derivative financial instruments:					
Forward currency contracts	18	-	1,460,956	-	1,460,956
Interest rate swap	18	-	165,790	-	165,790
Futures contracts	18	3,283	303,581	-	306,864
		3,283	1,930,327	-	1,933,610
Total financial liabilities		433,450	1,930,327	-	2,363,777

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(b) Reconciliation of fair value movements within Level 3 financial instruments

Group

Financial assets designated at fair value through profit or loss:	At January 1, 2021	Total gain in statement of profit or loss	Purchases	Redemption	At December 31, 2021	Total gain for the year included in profit or loss for assets held at December 31, 2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Private equities	27,194,723	3,173,196	14,824,242	(4,541,301)	40,650,860	3,173,196

Financial assets designated at fair value through profit or loss:	At January 1, 2020	Total gain in statement of profit or loss	Purchases	Redemption	At December 31, 2020	Total gain for the year included in profit or loss for assets held at December 31, 2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Private equities	18,232,161	2,382,618	8,406,175	(1,826,231)	27,194,723	2,382,618

Company

Financial assets designated at fair value through profit or loss:	At January 1, 2021	Total gain in statement of profit or loss	Purchases	Redemption	At December 31,2021	Total gain for the year included in profit or loss for assets held at December 31, 2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Private equities	21,267,136	2,347,023	13,295,501	(3,775,545)	33,134,115	2,347,023

Financial assets designated at fair value through profit or loss:	At January 1, 2020	Total gain in statement of profit or loss	Purchases	Redemption	At December 31,2020	Total gain for the year included in profit or loss for assets held at December 31, 2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Private equities	14,589,356	1,097,251	7,291,671	(1,711,142)	21,267,136	1,097,251

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

(b) Reconciliation of fair value movements within Level 3 financial instruments (continued)

Gains or losses (realised and unrealised) included in profit or loss for the year are presented in the statement of profit or loss as follows:

	Group 2021			Company 2021		
	Realised loss	Fair value gain	Total	Realised loss	Fair value gain	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total gain included in profit or loss for the year	-	3,173,196	3,173,196	-	2,347,023	2,347,023
Total gain included in profit or loss for the year for assets held at the end of the reporting year	-	3,173,196	3,173,196	-	2,347,023	2,347,023

	Group 2020			Company 2020		
	Realised loss	Fair value gain	Total	Realised loss	Fair value gain	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total gain included in profit or loss for the year	-	2,382,618	2,382,618	-	1,097,251	1,097,251
Total gain included in profit or loss for the year for assets held at the end of the reporting year	-	2,382,618	2,382,618	-	1,097,251	1,097,251

During the year 2021 and 2020, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Regulatory framework

The operation of the Group is subject to local regulatory requirements in Hong Kong. The regulators are interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters and that the risk levels are at acceptable levels.

Investment securities
The Group limits its exposure by setting minimum limits of its portfolio mix in bonds and maximum limits of portfolio mix in equities and other investments. The Group also sets maximum limits on currency, maturity and credit limits on fixed income portfolios. The Group only deals with institutions with high creditworthiness.

Premium receivables
The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy documents or trust deed on the expiry of which either the premium is paid or the policy will be terminated or change to paid up on term cover according to the provision of the policy.

(a) Insurance risk

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents, and related risks. For policies issued from March 2016 onwards, the Group retains a maximum of US$10 million and US$3 million for mortality risk per life for Hong Kong and China respectively, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, and catastrophe treaties with reputable international reinsurers. Over the last five years, the actual claims in each year have been less than expected. As part of the Group's quality control process, the Group regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that they meet the highest industry standards.

(b) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuations 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 instruments traded in the market.

The Group structures the level of market risk it accepts through a Group market risk policy which includes determining what constitutes market risk for the Group, the basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument and geographical area; the net exposure limits by geographical segments for investments in countries other than Hong Kong and US; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) 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 Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk for the overseas operation, i.e. China. There are no significant concentrations of currency risk within the Group.

The following table demonstrates the sensitivity to a reasonably possible change in currency rates, with all other variables held constant, of the Group's profit/loss before tax and the Group's equity.

	2021			2020		
(In HKD million)	Depreciation in local currency against HKD	Increase/ (decrease) in profit before tax (note)	Increase /(decrease) in equity	Depreciation in local currency against HKD	Increase/ (decrease) in profit before tax (note)	Increase /(decrease) in equity
RMB	5%	(116.7)	(116.7)	5%	(131.3)	(131.3)

Note:
"Increase/(decrease) in profit before tax" align with "Increase/(decrease) in equity" as the associated currency losses in equity is reflected through current year profit.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(i) Currency risk (continued)

The table below summarises the Group's financial assets and financial liabilities by major currencies.

December 31, 2021

	HK and US Dollar	Renminbi	Other	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Policy loans	4,724,389	2,135,632	20,462	6,880,483
Mortgage and other loans	-	11,317,611	1,484,515	12,802,126
Accrued investment income	2,043,676	519,379	154,412	2,717,467
Premiums receivable	834,594	1,114,701	193	1,949,488
Loan to an intermediate holding company	629,112	-	-	629,112
Amounts due from affiliates	201,203	131,322	12,519	345,044
Amounts due from reinsurers	91,329	660,970	-	752,299
Financial assets included in other assets	2,042,068	290,429	228	2,332,725
Investment securities				
Listed debt securities	206,387,526	46,702,012	20,166,027	273,255,565
Listed stocks	46,058,360	-	-	46,058,360
Unlisted debt securities	7,331,001	-	4,931,223	12,262,224
Unlisted unit-linked funds	80,079,594	7,232,111	604,988	87,916,693
Private equities	31,385,047	-	9,265,813	40,650,860
Derivative financial instruments	1,998,380	226,348	8,935	2,233,663
Cash and cash equivalents	8,863,229	2,656,657	663,601	12,183,487
Total financial assets	392,669,508	72,987,172	37,312,916	502,969,596
Insurance funds	285,566,372	57,422,501	331,681	343,320,554
Policyholder amounts on deposit	26,098,806	4,644,556	94,531	30,837,893
Amounts due to affiliates	1,647,022	114,119	829,405	2,590,546
Derivative financial instruments	1,178,957	58,701	235,338	1,472,996
Amounts due to reinsurers	32,850	607,935	-	640,785
Claims payable	2,313,732	101,677	18,106	2,433,515
Financial liabilities included in accounts payable	3,290,248	3,909,407	157,913	7,357,568
Obligation under repurchase agreements	-	1,496,978	-	1,496,978
Total financial liabilities	320,127,987	68,355,874	1,666,974	390,150,835

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(i) Currency risk (continued)

The table below summarises the Group's financial assets and financial liabilities by major currencies.

December 31, 2020

	HK and US Dollar	Renminbi	Other	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Policy loans	4,848,439	1,566,136	19,852	6,434,427
Mortgage and other loans	-	8,718,130	917,524	9,635,654
Accrued investment income	2,011,235	432,396	135,739	2,579,370
Premiums receivable	796,392	1,018,204	160	1,814,756
Loan to an intermediate holding company	1,003,191	-	-	1,003,191
Amounts due from affiliates	263,434	29,261	20,179	312,874
Amounts due from reinsurers	161,084	301,551	-	462,635
Financial assets included in other assets	1,333,373	86,280	278	1,419,931
Investment securities				
Listed debt securities	198,003,558	34,862,736	16,098,489	248,964,783
Listed stocks	40,526,343	-	-	40,526,343
Unlisted debt securities	6,888,919	-	5,092,032	11,980,951
Unlisted unit-linked funds	72,297,721	6,091,935	243,638	78,633,294
Private equities	20,883,055	4,452,767	1,858,901	27,194,723
Derivative financial instruments	1,377,651	35,389	2,631	1,415,671
Cash and cash equivalents	7,469,964	2,831,111	436,366	10,737,441
Total financial assets	357,864,359	60,425,896	24,825,789	443,116,044
Insurance funds	282,430,155	42,559,241	351,894	325,341,290
Policyholder amounts on deposit	26,166,847	4,063,277	96,846	30,326,970
Amounts due to affiliates	1,141,994	12,104	205,061	1,359,159
Derivative financial instruments	655,683	128,282	1,149,645	1,933,610
Amounts due to reinsurers	59,786	336,222	-	396,008
Claims payable	2,293,375	77,336	24,917	2,395,628
Financial liabilities included in accounts payable	2,699,197	3,207,094	142,034	6,048,325
Obligation under repurchase agreements	-	237,631	-	237,631
Total financial liabilities	315,447,037	50,621,187	1,970,397	368,038,621

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk exposures are measured using a variety of techniques, including cash flow gaps, durations, key rate durations, convexity, and earnings and shareholders' economic value at risk. The Group has no significant concentration of interest rate risk.

The table below summarises the effective interest rates at the end of reporting period by major currencies across all applicable Group financial assets and financial liabilities.

	Liability Valuation Interest Rate	
Currency	2021	2020
USD	2.25% at all years	1.99% at all years
HKD	Selected par whole life and critical illness products: 6.71% Others: From 2.25% grading to 1.90%	Selected par whole life and critical illness products: 6.76%; Others: From 1.99% grading to 1.91%
RMB	2.44%	2.72%

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/loss before tax and the Group's equity.

	2021			2020		
(In HKD million)	Decrease in basis point	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Decrease in basis point	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
USD	50	(12,462)	(12,462)	50	(8,682)	(8,682)
HKD	50	(17,252)	(17,252)	50	(18,270)	(18,270)
RMB	50	(4,280)	(4,280)	50	(1,674)	(1,674)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(iii) Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit linked business.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investment in each country, sector and market.

The market equity indices for the following stock exchanges, at the closing of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	December 31, 2021	High/Low 2021	December 31, 2020	High/Low 2020
Hong Kong – Hang Seng Index	23,398	31,085/ 22,745	27,231	29,056/ 21,696
United States – S&P 500 Index	4,766	4,793/ 3,701	3,756	3,756/ 2,237

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(iii) Price risk (continued)

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 and before any impact on tax, based on their carrying amounts at the end of the reporting period.

(In HKD million)	Decrease in fair value	Carrying amount of equity investment	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
2021				
Investment denominated in:				
HKD	5%	12,807	(640)	(640)
USD	5%	64,636	(3,232)	(3,232)
2020				
Investment denominated in:				
HKD	5%	13,871	(694)	(694)
USD	5%	47,539	(2,377)	(2,377)

Note: Hong Kong and United States denominated equities account for over 89% of total equity investments of the Group.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt securities.

The Group manages liquidity through a Group liquidity risk policy which includes determining what constitutes liquidity risk for the Group; the minimum proportion of funds to meet emergency calls; the setting up of contingency funding plans; specifying the sources of funding and the events that would trigger the plan; specifying the concentration of funding sources; the reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and the review of the Group's liquidity risk policy for pertinence and changing environment. There are no significant concentrations of liquidity risk within the Group.

The table below analyses the financial assets and liabilities of the Group into their relevant maturity groups based on the remaining period at the end of the reporting period to their contractual maturities or expected repayment dates.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

December 31, 2021	**Up to a year**	**1-3 years**	**3-5 years**	**Over 5 years**	**Segregated funds/ Unit -linked**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Policy loans	6,880,483	-	-	-	-	6,880,483
Mortgage and other loans	1,042,893	1,809,713	2,437,117	7,512,403	-	12,802,126
Accrued investment income	2,717,467	-	-	-	-	2,717,467
Premiums receivable	1,949,488	-	-	-	-	1,949,488
Loan to an intermediate holding company	153,290	314,499	161,323	-	-	629,112
Amounts due from affiliates	345,044	-	-	-	-	345,044
Amounts due from reinsurers	752,299	-	-	-	-	752,299
Financial assets included in other assets	2,332,725	-	-	-	-	2,332,725
Investment securities						
Listed debt securities	6,519,669	18,503,763	18,200,453	183,256,547	46,775,133	273,255,565
Listed stocks	46,058,360	-	-	-	-	46,058,360
Unlisted debt securities	234,382	1,260,284	731,894	10,035,664	-	12,262,224
Unlisted unit-linked funds	6,813,440	-	-	-	81,103,253	87,916,693
Private equities	40,650,860	-	-	-	-	40,650,860
Derivative financial instruments	163,034	492,195	203,062	1,375,216	156	2,233,663
Cash and cash equivalents	12,183,487	-	-	-	-	12,183,487
Total financial assets	128,796,921	22,380,454	21,733,849	202,179,830	127,878,542	502,969,596
Insurance funds	528,587	412,328	690,597	220,630,194	121,058,848	343,320,554
Policyholder amounts on deposit	30,837,893	-	-	-	-	30,837,893
Amounts due to affiliates	2,590,546	-	-	-	-	2,590,546
Derivative financial instruments	221,914	50,091	101,438	1,099,553	-	1,472,996
Amounts due to reinsurers	640,785	-	-	-	-	640,785
Claims payable	2,433,515	-	-	-	-	2,433,515
Financial liabilities included in accounts payable	7,357,568	-	-	-	-	7,357,568
Obligation under repurchase agreements	1,496,978	-	-	-	-	1,496,978
Total financial liabilities	46,107,786	462,419	792,035	221,729,747	121,058,848	390,150,835

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

December 31, 2020	**Up to a year**	**1-3 years**	**3-5 years**	**Over 5 years**	**Segregated funds/ Unit -linked**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Policy loans	6,434,427	-	-	-	-	6,434,427
Mortgage and other loans	59,349	2,089,070	3,068,507	4,418,728	-	9,635,654
Accrued investment income	2,579,370	-	-	-	-	2,579,370
Premiums receivable	1,814,756	-	-	-	-	1,814,756
Loan to an intermediate holding company	382,873	310,159	310,159	-	-	1,003,191
Amounts due from affiliates	312,874	-	-	-	-	312,874
Amounts due from reinsurers	462,635	-	-	-	-	462,635
Financial assets included in other assets	1,419,931	-	-	-	-	1,419,931
Investment securities						
Listed debt securities	5,988,348	21,315,459	18,585,671	154,161,617	48,913,688	248,964,783
Listed stocks	40,526,343	-	-	-	-	40,526,343
Unlisted debt securities	46,930	816,361	1,227,566	9,890,094	-	11,980,951
Unlisted unit-linked funds	7,552,668	-	-	-	71,080,626	78,633,294
Private equities	27,194,723	-	-	-	-	27,194,723
Derivative financial instruments	14,893	48,538	41,163	1,311,066	11	1,415,671
Cash and cash equivalents	10,737,441	-	-	-	-	10,737,441
Total financial assets	105,527,561	24,579,587	23,233,066	169,781,505	119,994,325	443,116,044
Insurance funds	558,223	673,683	629,255	208,165,156	115,314,973	325,341,290
Policyholder amounts on deposit	30,326,970	-	-	-	-	30,326,970
Amounts due to affiliates	1,359,159	-	-	-	-	1,359,159
Derivative financial instruments	309,407	61,067	174,349	1,388,687	100	1,933,610
Amounts due to reinsurers	396,008	-	-	-	-	396,008
Claims payable	2,395,628	-	-	-	-	2,395,628
Financial liabilities included in accounts payable	6,048,325	-	-	-	-	6,048,325
Obligation under repurchase agreements	237,631	-	-	-	-	237,631
Total financial liabilities	41,631,351	734,750	803,604	209,553,843	115,315,073	368,038,621

The way the insurance fund liabilities are allocated to the various maturity groups is based on the insurance policies' term to maturity from the valuation date. It is unusual for a Group primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied to insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate using statistical techniques and past experience.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk

Credit risk is the risk that a party to a financial instrument, such as a mortgage borrower, will fail to honour its financial obligations to the Group. Credit risks are primarily associated with investment, derivative and reinsurance counterparties.

The Group's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio together with maintenance of issuer, industry and geographic diversification standards. There are no significant concentrations of credit risk within the Group.

Underlying assets bearing credit risk:

December 31, 2021:

	With investment grade HK$'000	Non-investment grade HK$'000	Rating not available HK$'000	Segregated funds HK$'000	Total HK$'000
Policy loans	-	-	6,880,483	-	6,880,483
Mortgage and other loans	10,704,256	2,097,870	-	-	12,802,126
Accrued investment income	-	-	2,717,467	-	2,717,467
Premiums receivable	-	-	1,949,488	-	1,949,488
Loan to an intermediate holding company	-	-	629,112	-	629,112
Amount due from affiliates	-	-	345,044	-	345,044
Amount due from reinsurers	752,299	-	-	-	752,299
Financial assets included in other assets	-	-	2,332,725	-	2,332,725
Investment securities					
Listed debt securities	224,731,041	1,725,674	23,717	46,775,133	273,255,565
Listed stocks	-	-	46,058,360	-	46,058,360
Unlisted debt securities	12,164,905	-	97,319	-	12,262,224
Unlisted unit-linked funds	-	-	6,813,440	81,103,253	87,916,693
Private equities	-	-	40,650,860	-	40,650,860
Derivative financial instruments	-	-	2,233,663	-	2,233,663
Cash and cash equivalents	12,004,695	-	178,792	-	12,183,487
Total financial assets	260,357,196	3,823,544	110,910,470	127,878,386	502,969,596

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

December 31, 2020:

	With investment grade HK$'000	Non-investment grade HK$'000	Rating not available HK$'000	Segregated funds HK$'000	Total HK$'000
Policy loans	-	-	6,434,427	-	6,434,427
Mortgage and other loans	7,724,688	1,910,966	-	-	9,635,654
Accrued investment income	-	-	2,579,370	-	2,579,370
Premiums receivable	-	-	1,814,756	-	1,814,756
Loan to an intermediate holding company	-	-	1,003,191	-	1,003,191
Amount due from affiliates	-	-	312,874	-	312,874
Amount due from reinsurers	462,635	-	-	-	462,635
Financial assets included in other assets	-	-	1,419,931	-	1,419,931
Investment securities					
Listed debt securities	198,819,609	1,165,677	65,809	48,913,688	248,964,783
Listed stocks	-	-	40,526,343	-	40,526,343
Unlisted debt securities	1,993,385	-	9,987,566	-	11,980,951
Unlisted unit-linked funds	-	-	7,552,668	71,080,626	78,633,294
Private equities	-	-	27,194,723	-	27,194,723
Derivative financial instruments	-	-	1,415,671	-	1,415,671
Cash and cash equivalents	10,732,899	-	4,542	-	10,737,441
Total financial assets	219,733,216	3,076,643	100,311,871	119,994,314	443,116,044

The maximum credit risk for financial assets recognised in the statement of financial position is the carrying amount less, where applicable, any provision for doubtful debts.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

The following table sets out the credit quality analysis for financial assets that meet the SPPI criteria and are not held for trading or managed on a fair value basis. The amounts presented represent gross carrying amounts determined in accordance with HKAS 39.

Credit quality	December 31, 2021		
	Amount due from reinsurers	Listed debt securities	Financial assets that meet the SPPI criteria
	%	%	HK$000
AAA	-	22	-
AA+ to AA-	70	13	4,055,174
A+ to A-	29	46	11,066,333
BBB+ to BBB-	-	18	8,333,540
Non-investment grade	-	1	2,097,870
Rating not available	1	-	15,039,314
Total	100	100	40,592,231

	December 31, 2020		
	Amount due from reinsurers	Listed debt securities	Financial assets that meet the SPPI criteria
	%	%	HK$000
AAA	-	19	-
AA+ to AA-	58	17	2,668,404
A+ to A-	42	45	9,303,960
BBB+ to BBB-	-	19	6,947,858
Non-investment grade	-	-	1,910,966
Rating not available	-	-	13,569,091
Total	100	100	34,400,279

(e) Capital management

Externally imposed capital requirements are set and regulated by the Hong Kong Insurance Ordinance. These requirements are put in place to ensure sufficient solvency margins, to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business objectives and maximise shareholder value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid or return capital to ordinary shareholders.

The Group fully complied with the externally imposed capital requirements during the reported financial periods. No changes were made to its capital management objectives, policies and processes from the previous year.

43. SUBSEQUENT EVENT

There were no material events subsequent to 31 December 2021 and up to the date of issuance of the financial statements.

44. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements was approved and authorised for issue by the board of directors on April 26, 2022.