

Report of the Directors of Audited Financial Statements

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

December 31, 2022

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, 2022.

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, 2022 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 105.

Dividends totaling HK\$3,923 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 Wadhvani (resigned on May 25, 2022)
Kenneth Joseph Rappold Jr
Damien Allen Green
Steven Christopher Horton (resigned on May 16, 2022)
Rachel Elizabeth Derry (appointed on May 16, 2022)
Pankaj Banerjee (appointed on May 25, 2022)

Subsequent to the end of the reporting period, on 1 January 2023, Damien Allen Green and Pankaj Banerjee resigned as director of the Company, while Patrick David Graham was appointed as director of the Company.

Independent Non-executive Directors

Garry Alides Willinge
Christopher Alan Edwards

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

MANULIFE (INTERNATIONAL) LIMITED

REPORT OF THE DIRECTORS

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 Wadhvani (resigned on May 25, 2022)
Damien Allen Green

Subsequent to the end of the reporting period, on 1 January 2023, Patrick David Graham was appointed as controller of the Company.

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 during the year were eligible to participate in the above plans:

Anil Wadhvani (resigned on May 25, 2022)
Kenneth Joseph Rappold Jr
Damien Allen Green (resigned on January 1, 2023)
Pankaj Banerjee (appointed on May 25, 2022 and resigned on January 1, 2023)

Subsequent to the end of the reporting period, on 1 January 2023, Patrick David Graham was eligible to participate in the above plans.

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\$4.9 million.

MANULIFE (INTERNATIONAL) LIMITED

REPORT OF THE DIRECTORS

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:

<u>Line of business</u>	<u>Type of cover</u>	<u>Retention</u>
Group Life	Excess	HK\$3,000,000 per benefit
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
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).

MANULIFE (INTERNATIONAL) LIMITED

REPORT OF THE DIRECTORS

Material reinsurance arrangements (continued)

(a) Hong Kong and Macau (continued)

<u>Line of business</u>	<u>Type of cover</u>	<u>Retention</u>
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
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)

MANULIFE (INTERNATIONAL) LIMITED

REPORT OF THE DIRECTORS

Material reinsurance arrangements (continued)

(a) Hong Kong and Macau (continued)

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 and 2022 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.

Universal Life Insurance Plan had a coinsurance arrangement with The Manufacturers Life Insurance Company, under which majority (90%) of business was ceded. This reinsurance arrangement was recaptured on June 30, 2022.

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.

(a) 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 99%.

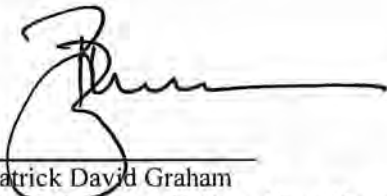
MANULIFE (INTERNATIONAL) LIMITED

REPORT OF THE DIRECTORS

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

A handwritten signature in black ink, appearing to be 'P. Graham', written over a horizontal line.

Patrick David Graham
Chief Executive Officer, Hong Kong
April 26, 2023

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 105, which comprise the consolidated and company statements of financial position as at December 31, 2022, 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, 2022, 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 ("HKSA") 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.

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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

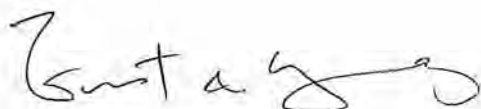
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

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.



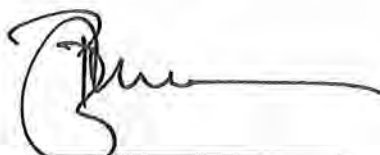
Certified Public Accountants
Hong Kong
26 April 2023

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS			
Intangible assets	4	542,857	573,608
Goodwill	8	1,122,666	1,122,666
Investment property	7	6,620,000	6,890,000
Fixed assets	5	853,409	730,316
Policy loans	9	7,230,118	6,880,483
Mortgage and other loans	10	13,262,837	12,802,126
Accrued investment income	11	2,963,754	2,717,467
Premiums receivable	12	1,758,909	1,949,488
Loan to an intermediate holding company	13	476,306	629,112
Deferred tax assets	14	427,628	273,152
Tax recoverable		-	41,971
Amounts due from affiliates	15	297,735	345,044
Amounts due from reinsurers	16	1,186,518	752,299
Other assets		9,487,958	5,598,534
Investment securities	17	414,895,818	460,143,702
Derivative financial instruments	18	3,971,469	2,233,663
Cash and cash equivalents	19	10,700,374	12,183,487
TOTAL ASSETS		475,798,356	515,867,118
LIABILITIES			
Insurance funds	20	324,304,197	343,320,554
Policyholder amounts on deposit	21	32,649,864	30,837,893
Amounts due to affiliates	15	1,254,342	2,590,546
Deferred tax liabilities	14	742,227	1,325,908
Tax payable		188,328	160,252
Derivative financial instruments	18	6,527,277	1,472,996
Amounts due to reinsurers	16	862,685	640,785
Claims payable	22	2,070,190	2,433,515
Net asset value attributable to unit-holders	23	5,523,149	5,273,766
Accounts payable and accrued liabilities	24	57,512,409	63,938,989
Obligation under repurchase agreements	25	-	1,496,978
TOTAL LIABILITIES		431,634,668	453,492,182
NET ASSETS		44,163,688	62,374,936
EQUITY			
Issued capital	27	15,791,430	15,791,430
Share premium	27	2,145,943	2,145,943
Currency revaluation reserve		(299,170)	91,264
Share option reserve		39,660	42,860
Accumulated surplus		26,338,279	39,800,124
		44,016,142	57,871,621
Non-controlling interests		147,546	4,503,315
TOTAL EQUITY		44,163,688	62,374,936



Director



Director

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue:			
Premium income -			
Individual life insurance		47,918,000	33,656,236
Group life and health insurance		1,161,627	1,190,966
Permanent health insurance		3,101	(148)
Total premium income	29	49,082,728	34,847,054
Investment income	30	(58,271,640)	19,889,854
Other revenue	31	5,621,012	12,464,511
Total revenue		(3,567,900)	67,201,419
Expenses and outgoings:			
To policyholders and beneficiaries -			
Death and disability benefits			
Gross claims		7,228,462	7,230,888
Recoverable from reinsurers		(2,188,314)	(2,229,395)
Net death and disability benefits		5,040,148	5,001,493
Maturity and surrender benefits		9,099,819	8,949,661
Recoverable from reinsurers		(2,462,987)	(2,262,032)
Net maturity and surrender benefits		6,636,832	6,687,629
Annuity payments		963,573	757,053
(Decrease)/ increase in reserves for future benefits		(23,971,316)	9,400,480
General expenses and commissions	32	11,675,671	13,369,185
Finance costs		33,443	33,753
Investment expenses		1,903,934	1,901,501
Interest expenses to policyholders		1,324,030	1,215,594
Policyholder dividends, net		6,964,205	4,126,055
(Loss)/ profit attributable to unit-holders	23	(487,064)	(45,522)
Premium taxes		52,678	37,741
Total expenses and outgoings		10,136,134	42,484,962
(Loss)/ profit before tax	35	(13,704,034)	24,716,457
Income taxes	36	(334,604)	572,723
(Loss)/ profit for the year		(13,369,430)	24,143,734
Attributable to:			
Owners of the parent	37	(9,538,555)	24,152,027
Non-controlling interests		(3,830,875)	(8,293)
		(13,369,430)	24,143,734

MANULIFE (INTERNATIONAL) LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the year ended December 31, 2022**

	2022	2021
	HK\$'000	HK\$'000
(Loss)/ profit for the year	(13,369,430)	24,143,734
Other comprehensive income		
Exchange differences on translating foreign operations	(765,555)	153,766
Total comprehensive income for the year, net of tax	<u>(14,134,985)</u>	<u>24,297,500</u>
Attributable to:		
Owners of the parent	(9,928,989)	24,230,523
Non-controlling interests	(4,205,996)	66,977
	<u>(14,134,985)</u>	<u>24,297,500</u>

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	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, 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
Issue of shares	27	-	-	-	-	-	-	-	-
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)	-	(262)
Dividends paid to non-controlling shareholders		-	-	-	-	(3,895,650)	(3,895,650)	(96,239)	(3,895,650)
		-	-	-	-	-	-	(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
At January 1, 2022		15,791,430	2,145,943	91,264	42,860	39,800,124	57,871,621	4,503,315	62,374,936
Total comprehensive loss for the year		-	-	(390,434)	-	(9,538,555)	(9,928,989)	(4,205,996)	(14,134,985)
Share-based payments arrangement		-	-	-	(3,200)	-	(3,200)	-	(3,200)
Dividends	28	-	-	-	-	(3,923,290)	(3,923,290)	-	(3,923,290)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	(149,773)	(149,773)
Balance as at December 31, 2022		15,791,430	2,145,943	(299,170)	39,660	26,338,279	44,016,142	147,546	44,163,688

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH GENERATED FROM OPERATING ACTIVITIES			
Loss/ profit before tax		(13,704,034)	24,716,457
Adjustments for:			
Finance costs		33,443	33,753
Depreciation	35	232,191	212,127
Change in fair value of investment property	7	270,000	50,000
Depreciation of right-of-use assets	26	343,973	317,493
Amortisation of intangible assets	35	30,751	28,726
Loss on disposal of fixed assets	35	2,933	5,935
Share-based payment		(3,200)	(262)
		(12,793,943)	25,364,229
Increase in policy loans		(349,635)	(446,056)
Increase in mortgage and other loans		(460,711)	(3,166,472)
Increase in accrued investment income		(246,287)	(138,097)
Decrease/ (increase) in premiums receivable		190,579	(134,732)
Change in amounts due from/to affiliates, net		(1,288,895)	1,199,217
Change in amounts due from/to reinsurers, net		(212,319)	(44,887)
Increase in other assets		(4,233,397)	(1,377,358)
Decrease/ (increase) in investment securities		45,247,884	(52,843,608)
Increase in derivative financial instruments, assets		(1,737,806)	(817,992)
(Decrease)/ increase in insurance funds		(19,016,357)	17,979,264
Increase in policyholder amounts on deposit		1,811,971	510,923
Increase/ (decrease) in derivative financial instruments, liabilities		5,054,281	(460,614)
(Decrease)/ increase in claims payable		(363,325)	37,887
Increase in net asset value attributable to unit-holders		249,383	60,581
(Decrease)/ increase in accounts payable and accrued liabilities		(6,097,203)	18,770,432
Cash generated from/(used in) operating activities		5,754,220	4,492,717

MANULIFE (INTERNATIONAL) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022	2021
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Hong Kong profits tax paid	(306,406)	-
Overseas tax refund	35,072	28,661
Finance costs	(33,443)	(33,753)
Net cash inflow/(outflow) from operating activities	5,449,443	4,487,625
INVESTING ACTIVITIES		
Purchases of fixed assets	(394,253)	(501,767)
Purchases of intangible assets	-	(23,336)
Net cash outflow from investing activities	(394,253)	(525,103)
FINANCING ACTIVITIES		
Principal portion of lease payments	(329,377)	(330,521)
Dividends paid	(3,923,290)	(3,895,650)
Dividends paid to non-controlling shareholders	(149,773)	(96,239)
Repayment of loan to an intermediate holding company	154,271	378,509
(Settlement of)/ proceeds from obligation under repurchase agreements	(1,496,978)	1,259,347
Net cash (outflow)/inflow from financing activities	(5,745,147)	(2,684,554)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(689,957)	1,277,968
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,183,487	10,737,441
Effect of foreign exchange rate changes, net	(793,156)	168,078
CASH AND CASH EQUIVALENTS AT END OF YEAR	10,700,374	12,183,487
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank call deposits	1,016,349	1,034,703
Bank current accounts	9,683,992	11,148,751
Cash on hand	33	33
	10,700,374	12,183,487

MANULIFE (INTERNATIONAL) LIMITED

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS			
Intangible assets	4	542,857	573,608
Goodwill	8	1,122,666	1,122,666
Investment property	7	6,620,000	6,890,000
Fixed assets	5	527,999	396,665
Interests in subsidiaries	6	792,046	891,285
Policy loans	9	4,835,213	4,744,851
Mortgage and other loans	10	1,953,874	1,484,515
Accrued investment income	11	2,067,054	1,900,651
Premiums receivable	12	912,136	834,787
Loan to an intermediate holding company	13	476,306	629,112
Deferred tax assets	14	147	332
Tax recoverable		-	-
Amounts due from affiliates	15	1,203,863	1,619,146
Amounts due from reinsurers	16	204,640	91,329
Other assets		8,038,789	3,883,260
Investment securities	17	346,219,574	394,468,990
Derivative financial instruments	18	3,685,109	2,007,764
Cash and cash equivalents	19	7,672,520	9,267,542
TOTAL ASSETS		386,874,793	430,806,503
LIABILITIES			
Insurance funds	20	252,330,758	285,949,316
Policyholder amounts on deposit	21	27,912,470	26,214,449
Amounts due to affiliates	15	1,247,342	2,584,629
Tax payable		188,328	160,252
Derivative financial instruments	18	6,527,277	1,472,996
Amounts due to reinsurers	16	43,138	32,850
Claims payable	22	2,014,074	2,383,388
Accounts payable and accrued liabilities	24	53,063,144	59,176,134
TOTAL LIABILITIES		343,326,531	377,974,014
NET ASSETS		43,548,262	52,832,489
EQUITY			
Issued capital	27	15,791,430	15,791,430
Share premium	27	2,145,943	2,145,943
Share option reserve		39,660	42,860
Accumulated surplus		25,571,229	34,852,256
TOTAL EQUITY		43,548,262	52,832,489



Director



Director

MANULIFE (INTERNATIONAL) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Notes	Issued capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated surplus HK\$'000	Total HK\$'000
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
At January 1, 2022		15,791,430	2,145,943	42,860	34,852,256	52,832,489
Total comprehensive loss for the year					(5,357,737)	(5,357,737)
Share-based payments arrangement				(3,200)	-	(3,200)
Dividends	28				(3,923,290)	(3,923,290)
Balance as at December 31, 2022		15,791,430	2,145,943	39,660	25,571,229	43,548,262

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022. 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction</i> ¹
Amendments to HKAS 16	<i>Lease Liability in a Sale and Leaseback</i> ²

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

² Effective for annual periods beginning on or after January 1, 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 “Insurance Contracts” was issued in 2018 to be effective for years beginning on January 1, 2021. Amendments to HKFRS 17 “Insurance Contracts” were issued in October 2020 and include a two-year deferral of the effective date. HKFRS 17 as amended, is effective for years beginning on January 1, 2023, to be applied retrospectively. If full retrospective application to a group of contracts is impracticable the modified retrospective or fair value methods may be used. The standard replaced HKFRS 4 “Insurance Contracts” materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group’s Consolidated Financial Statements.

Narrow-scope amendments to HKFRS 17 “Insurance Contracts” were issued in August 2022 and were effective on initial application of HKFRS 17 and HKFRS 9 “Financial Instruments” which the Group has adopted on January 1, 2023. The amendments reduce accounting mismatches between insurance contract liabilities and financial assets in scope of HKFRS 9 within comparative prior periods when initially applying HKFRS 17 and HKFRS 9. The amendments allow insurers to present comparative information on financial assets as if HKFRS 9 were fully applicable during the comparative period. The amendments do not permit application of HKFRS 9 hedge accounting principles to the comparative period.

The principles underlying HKFRS 17 differ from HKFRS 4. The following outlines some of the key measurement differences:

- Under HKFRS 17 new business gains are recorded on the Statements of Financial Position (in the Contractual Service Margin (“CSM”) component of the insurance contract liability) and amortized into income as services are provided. New business losses are recorded into income immediately. Under HKFRS 4, both new business gains and new business losses were recognized in income immediately.
- Under HKFRS 17 the Group aggregates insurance contracts that are subject to similar risks and managed together into portfolios. Since new business gains and losses have different accounting treatments, insurance contracts are further aggregated into groups by profitability and issuance period to limit offsetting of new business gains and losses. Such aggregation of contracts into groups is required on initial recognition and not reassessed subsequently. Under HKFRS 4, new business gains and new business losses offset each other in income.
- Under HKFRS 17 the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liability. Under HKFRS 4, the rates of returns for current and projected assets supporting insurance contract liabilities were used to value the liabilities. The valuation of insurance liabilities was referenced to HK Statutory basis as proxy in which NPV approach was adopted and the discount rate methodology was portfolio yield graded to Long-term reinvestment (risk-free) yield according to Actuarial Guidance Notes (“AGN”) 3 issued by The Actuarial Society of Hong Kong (“ASHK”).

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

- Under HKFRS 17 the Group use contracts as the unit of account assessment. The unit of account affects the contract boundary assessment of HKFRS4 and HKFRS17. Under HKFRS4, the contract boundary assessment of basic plan and rider is separated.
- Under HKFRS 17 the insurance contract liability discount rate is not related to the expected return on Alternative Long-Duration Assets (“ALDA”) and public equity assets, and as a result, the earnings sensitivity of a change in return assumptions for ALDA and public equity assets will be significantly reduced.
- Under HKFRS 17 the Group has elected the option to record changes in insurance contract liabilities arising from changes in interest rates through other comprehensive income, for substantially all insurance products, and classify debt instruments supporting these insurance contract liabilities as fair value through other comprehensive income (“FVTOCI”) under HKFRS 9. Under HKFRS 4, changes in insurance contract liabilities were recorded in net income.
- Under HKFRS 17 the Group separates distinct investment components from insurance contracts and accounts for them under HKFRS 9. Under HKFRS4 the separation of deposit components was permitted, but not required.
- Under HKFRS 17 insurance contracts with different features are measured by one of the three measurement models: General Model Method (“GMM”), Premium Allocation Approach (“PAA”) and Variable Fee Approach (“VFA”). Under HKFRS4, insurance contracts were generally valued by one measurement model, although an unearned premium reserve method similar to PAA was allowed and used by the Group for certain short duration / annually renewable business.

In addition, there are significant changes to presentation and disclosure of the financial statements. The following outlines some of the key presentation and disclosure changes:

- Consolidated Statements of Financial Position: under HKFRS 17 the Group presents portfolios of insurance and reinsurance contracts issued separately from portfolios of reinsurance contracts held, and portfolios of asset position are further presented separately from portfolios of liability position. Under HKFRS 4, contracts were not split and presented by asset and liability positions.
- Consolidated Statements of Comprehensive Income: under HKFRS 17 the Group separately presents insurance revenue, insurance service expense, insurance finance income or expenses, and income or expenses from reinsurance contracts held. Under HKFRS 4 the Group reported premium income, gross claims and benefits, changes in insurance contract liabilities, benefits and expenses ceded to reinsurers and changes in reinsurance assets.

HKFRS 17 Transition

The Group is required to prepare an opening balance sheet as at January 1, 2022, the date of transition to HKFRS 17, which forms the starting point for its financial reporting in accordance with HKFRS 17. Any differences between the carrying value and the presentation of assets, liabilities and equity determined in accordance with HKFRS 4 and HKFRS 17, as at January 1, 2022 will be recorded in opening retained earnings.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

On the transition date, January 1, 2022, the Group

- Identified, recognized, and measured each group of contracts as if HKFRS 17 had always applied, unless it was impracticable (see Full Retrospective Approach and Fair Value Approach below);
- Identified, recognized, and measured assets for insurance acquisition cash flows as if HKFRS 17 had always applied. However, no recoverability assessment was performed before the transition date;
- Derecognized any balances that would not exist had HKFRS 17 always applied;
- Recognized any resulting net difference in equity.

Full Retrospective Approach

The Group has adopted HKFRS17 retrospectively unless the full retrospective approach was deemed impracticable.

The Group has applied the full retrospective approach to most contracts issued on or after January 1, 2021, except for participating insurance contracts and variable annuity contracts for which the fair value approach was used.

Fair Value Approach

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

HKFRS 17 allows the use of the fair value approach for groups of insurance contracts with direct participation features if the risk mitigation option is applied prospectively from the transition date and it used derivatives, reinsurance contracts held or non-derivative financial instruments held at fair value through profit or loss ("FVTPL") to mitigate financial risk on these groups of contracts. With these conditions met, the Group has selected to apply the fair value approach to participating insurance contracts and variable annuity contracts issued on or after January 1, 2021.

Under the fair value approach, the Group has determined the CSM of the GMM and VFA liabilities for remaining coverage at the transition date as the difference between the fair value of the groups of insurance contracts and the fulfilment cash flows measured at that date. The fair value of a group of insurance contracts and reinsurance contracts is defined as the cash transfer a market participant would be willing to receive in order to assume the obligation and remaining risks associated with the group of insurance contracts. In determining the fair value, the Group has applied the requirements of HKFRS 13 "Fair Value Measurement", except for the demand deposit floor requirement. The Group used the income approach to determine the fair value of the insurance contracts at the transition date, in which future cash flows are discounted to a single amount that reflects current market expectations about those future amounts.

To determine groups of insurance contracts under the fair value approach the Group has aggregated contracts issued more than one year apart as it did not have reasonable and supportable information to divide groups into those including only contracts issued within one year or less.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

For the application of the fair value approach, the Group has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts;
- Determine whether an insurance contract meets the definition of an insurance contract with direct participation features;
- Identify discretionary cash flows for insurance contracts without direct participation features; and
- Determine whether an investment contract meets the definition of an investment contract with discretionary participation features.

The discount rate for insurance contracts that use the fair value approach was determined at the transition date. The discount rate was determined using the bottom-up approach.

Other Comprehensive Income at Transition

Under HKFRS 17 changes in the carrying amount of insurance contracts arising from the effect and changes in the time value of money and financial risk, are presented as insurance finance income or expense (except for some changes for insurance contracts with direct participation features under certain circumstances). Under HKFRS 17 the Group has the option to present the insurance finance income or expense in profit or loss or disaggregated between profit or loss and OCI (the OCI option). The Group has selected the OCI option and determined the cumulative OCI balance at transition as follows:

- For GMM and PAA groups of contracts where the fair value approach was applied, the cumulative OCI was set retrospectively only if reasonable and supportable information was available, otherwise it was set to zero at the transition date.
- For GMM groups of contracts where the full retrospective approach was applied, the cumulative balance was calculated as if the Group had been applying the OCI option since inception of the contracts.
- For VFA contracts, the cumulative OCI at transition was set equal to the difference between the market value and carrying value of the underlying items.

Reclassification of Financial Assets for the Comparative Period of HKFRS 17 Adoption

Under the amendments to HKFRS 17 with regard to the “Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information”, the Group has elected the option to reclassify financial assets, including those held in respect of activities not connected to contracts within the scope of HKFRS 17, on an instrument-by-instrument basis, for the comparative period in alignment with the expected classification on initial application of HKFRS 9 as at January 1, 2023. These reclassification changes also led the Group to present certain investment results previously reported in net investment income under HKAS 39, within OCI or net investment income under HKFRS 9, respectively.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

HKFRS 9 will affect the classification and measurement of financial assets held at January 1, 2023 as follows.

- Debt securities that are classified as FVTPL under HKAS 39 may, under HKFRS 9 be measured at FVOCI or FVTPL, depending on the particular circumstances.
- Equities securities that are classified as FVTPL under HKAS 39 may, under HKFRS 9 be measured at FVOCI or FVTPL, depending on the particular circumstances.
- Mortgage that are classified as amortized cost under HKAS 39 may, under HKFRS 9 be measured at at FVOCI.
- Derivatives which are generally classified as held-for-trading and measured at FVTPL under HKAS 39, will also measured at FVTPL under HKFRS 9.

The Group has elected to apply the impairment requirements of HKAS 39 (incurred losses) for the comparative period as provided for under HKFRS 17. Accordingly, for assets that were classified as FVTPL under HKAS 39, where no impairment was required, but were reclassified to FVOCI under HKFRS 9 for the comparative period, the Group did not measure any impairment for the comparative period since HKAS 39 impairment was not calculated.

The Group continues to assess the overall impact of HKFRS 17, which is expected to be significant, on the timing of earnings recognition, as well as presentation and disclosure, of its insurance contracts.

In view of upcoming change of regulatory regime, the management consider it is more relevant to disclose the impact of HKFRS 17 on the Company's position. Upon transition to IFRS 17 at January 1, 2022, the Company's initial assessment indicates that the establishment of the CSM and other measurement changes would increase total equity by approximately range of 11% to 13%.

In particular to the Company's subsidiary, Manulife-Sinochem Life Insurance Company Limited ("MSL"), of which its principal activity is also life insurance business, the assessment of key reporting line items under transition to HKFRS 17 to its own financial position are as follows:

Key line item	Impact on line item
Reinsurance assets	Increase by 144% to 169%
Insurance contracts liabilities	Decrease by 4% to 5%
Defer tax liabilities	Increase by 192% to 224%

HKFRS 9 "Financial Instruments" is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

HKFRS 9 replaced HKAS 39 “Financial Instruments: Recognition and Measurement”. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. HKFRS 9’s current classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged; however, for a financial liability designated as at fair value through profit or loss, revisions have been made in the accounting for changes in fair value attributable to changes in the credit risk of that liability. Gains or losses caused by changes in an entity’s own credit risk on such liabilities are no longer recognized in profit or loss but instead are reflected in OCI.

Revisions to hedge accounting were issued in December 2013 as part of the overall HKFRS 9 project. The amendment introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. When HKFRS 9 is first adopted, entities have the option to apply the hedge accounting requirements under HKFRS 9 or to continue to apply the hedge accounting requirements under HKAS 39. Such option will apply to all hedge accounting relationships.

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

The Company has adopted HKFRS 9 beginning on January 1, 2023 as permitted under the October 2020 amendments to HKFRS 4 “Insurance Contracts”. The adoption of HKFRS 9 resulted in certain differences in the classification and measurement of financial assets when compared to our classification and measurement under HKAS 39. The most significant changes included approximately \$235- \$240 billion of debt securities previously classified as FVTPL which are classified as FVOCI.

The Company has elected to apply the impairment requirements of HKAS 39 (incurred losses) for the comparative period as provided for under HKFRS 17. Accordingly, for assets that were classified as FVTPL under HKAS 39, where no impairment was required, but were reclassified to FVOCI or amortized cost under HKFRS 9 for the comparative period, the Company did not measure any impairment for the comparative period since HKAS 39 impairment was not calculated.

Based on current estimates, the adoption of HKFRS 9 resulted in a reduction to total equity in a range of 5%, approximately as at January 1, 2022 net of taxes, primarily reflecting the establishment of the measurement differences and deferred tax liabilities upon adoption of HKFRS 9. The Company will continue to monitor and refine certain elements of its impairment process.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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\$18,670 million (2021: HK\$22,558 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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\$210,473 million (2021: HK\$217,941 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\$95,161 million (2021: HK\$102,821 million).

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 2022 was HK\$428 million (2021: HK\$273 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 2022, no impairment loss had been recognised for intangible assets during the year (2021: HK\$Nil). The carrying amount of the intangible assets as at 31 December 2022 was HK\$543 million (2021: HK\$574 million).

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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3. SIGNIFICANT ESTIMATES

Estimation uncertainty

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.

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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4. INTANGIBLE ASSETS

Group and Company

	Customer base and distribution network HK\$'000
At December 31, 2021 and at January 1, 2022:	
Cost	839,375
Accumulated amortisation	(236,307)
Accumulated impairment	(29,460)
Net carrying amount	<u>573,608</u>
At January 1, 2022, net of accumulated amortisation	573,608
Amortisation provided during the year	(30,751)
At December 31, 2022, net of accumulated amortisation	<u>542,857</u>
At December 31, 2022:	
Cost	839,375
Accumulated amortisation	(267,058)
Accumulated impairment	(29,460)
Net carrying amount	<u>542,857</u>
	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	<u>578,998</u>
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	<u>573,608</u>
At December 31, 2021:	
Cost	839,375
Accumulated amortisation	(236,307)
Accumulated impairment	(29,460)
Net carrying amount	<u>573,608</u>

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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5. FIXED ASSETS

Group	Furniture, fixtures and equipment HK\$'000	Computer Equipment HK\$'000	Automobiles HK\$'000	Total HK\$'000
At December 31, 2021 and at January 1, 2022:				
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	<u>301,518</u>	<u>428,798</u>	<u>-</u>	<u>730,316</u>
At January 1, 2022, net of accumulated depreciation	301,518	428,798	-	730,316
Additions	200,428	192,856	969	394,253
Disposals	(1,561)	(1,372)	-	(2,933)
Depreciation provided during the year	(112,743)	(119,254)	(194)	(232,191)
Exchange realignment	(8,105)	(27,931)	-	(36,036)
At December 31, 2022, net of accumulated depreciation	<u>379,537</u>	<u>473,097</u>	<u>775</u>	<u>853,409</u>
At December 31, 2022:				
Cost	1,224,856	1,017,886	4,000	2,246,742
Accumulated depreciation	(845,319)	(544,789)	(3,225)	(1,393,333)
Net carrying amount	<u>379,537</u>	<u>473,097</u>	<u>775</u>	<u>853,409</u>

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

5. FIXED ASSETS (continued)

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	<u>(743,467)</u>	<u>(346,147)</u>	<u>(3,769)</u>	<u>(1,093,383)</u>
Net carrying amount	<u>239,269</u>	<u>200,225</u>	<u>-</u>	<u>439,494</u>
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	<u>3,096</u>	<u>4,021</u>	<u>-</u>	<u>7,117</u>
At December 31, 2021, net of accumulated depreciation	<u>301,518</u>	<u>428,798</u>	<u>-</u>	<u>730,316</u>
At December 31, 2021:				
Cost	1,072,988	871,187	3,031	1,947,206
Accumulated depreciation	<u>(771,470)</u>	<u>(442,389)</u>	<u>(3,031)</u>	<u>(1,216,890)</u>
Net carrying amount	<u>301,518</u>	<u>428,798</u>	<u>-</u>	<u>730,316</u>

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

5. FIXED ASSETS (continued)

Company	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Automobiles HK\$'000	Total HK\$'000
At December 31, 2021 and at January 1, 2022:				
Cost	684,413	497,836	3,031	1,185,280
Accumulated depreciation	(478,335)	(307,249)	(3,031)	(788,615)
Net carrying amount	<u>206,078</u>	<u>190,587</u>	<u>-</u>	<u>396,665</u>
At January 1, 2022, net of accumulated depreciation	206,078	190,587	-	396,665
Additions	168,596	102,156	969	271,721
Depreciation provided during the year	(75,581)	(64,612)	(194)	(140,387)
At December 31, 2022, net of accumulated depreciation	<u>299,093</u>	<u>228,131</u>	<u>775</u>	<u>527,999</u>
At December 31, 2022:				
Cost	853,009	599,992	4,000	1,457,001
Accumulated depreciation	(553,916)	(371,861)	(3,225)	(929,002)
Net carrying amount	<u>299,093</u>	<u>228,131</u>	<u>775</u>	<u>527,999</u>

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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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	<u>147,276</u>	<u>80,828</u>	<u>-</u>	<u>228,104</u>
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	<u>206,078</u>	<u>190,587</u>	<u>-</u>	<u>396,665</u>
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	<u>206,078</u>	<u>190,587</u>	<u>-</u>	<u>396,665</u>

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. INTERESTS IN SUBSIDIARIES

	2022 HK\$'000	2021 HK\$'000
Insurer:		
Unlisted shares, at cost	869,899	869,899
Due from a subsidiary	11,241	110,480
Non-insurer:		
Unlisted shares, at cost	200,756	200,756
	<u>1,081,896</u>	<u>1,181,135</u>
Impairment	<u>(289,850)</u>	<u>(289,850)</u>
	<u>792,046</u>	<u>891,285</u>

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

MANULIFE (INTERNATIONAL) LIMITED

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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	96%	1,153,739,361	1,198,982,445	Investment trading
Manulife Hong Kong Medium Term Bond Fund	Hong Kong	82%	1,041,588,453	1,277,771,500	Investment trading

7. INVESTMENT PROPERTY

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

	2022 HK\$'000	2021 HK\$'000
Carrying amount at January 1	6,890,000	6,940,000
Net loss from fair value adjustment	(270,000)	(50,000)
Carrying amount at December 31	<u>6,620,000</u>	<u>6,890,000</u>

The Group's investment property represents one commercial property in Hong Kong. The Group's investment property was revalued on December 31, 2022 based on valuation performed by Colliers International (Hong Kong) Limited, an independent professionally qualified valuer, at HK\$6,620 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 categorised as Level 3 of the fair value hierarchy as at December 31, 2022. During the year 2022, 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

8. GOODWILL

Group and Company

	HK\$'000
At December 31, 2021, at January 1, 2022 and December 31, 2022:	
Cost and Net carrying amount	<u>1,122,666</u>
At December 31, 2020, at January 1, 2021 and December 31, 2021:	
Cost and Net carrying amount	<u>1,122,666</u>

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 (2021: 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, 2022 was HK\$1,783 million (2021: HK\$1,499 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, 2022 was HK\$11,309 million (2021: HK\$ 11,318 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.

MANULIFE (INTERNATIONAL) LIMITED

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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. The intermediate holding company settled US\$19.7 million in June 2022. 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 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, 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 and January 1, 2022	25,033	3,353	6,079	140,495	98,192	(1,238,368)	(87,540)	(1,052,756)
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 36)	21,092	1,709	2,975	160,004	(1,645)	487,138	1,136	672,409
Exchange differences	(2,869)	(345)	(599)	(17,565)	(8,281)	88,012	7,395	65,748
As at December 31, 2022	43,256	4,717	8,455	282,934	88,266	(663,218)	(79,009)	(314,599)
Company						Fixed assets HK\$'000		Total HK\$'000
As at January 1, 2021						-		-
Deferred tax charged to the statement of profit or loss during the year						332		332
As at December 31, 2021 and January 1, 2022						332		332
Deferred tax credited to the statement of profit or loss during the year						(185)		(185)
As at December 31, 2022						147		147

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed debt securities at fair value				
- Hong Kong	21,651,531	31,291,282	21,651,531	16,332,967
- outside Hong Kong	225,175,905	241,964,283	132,406,750	168,490,913
	<u>246,827,436</u>	<u>273,255,565</u>	<u>154,058,281</u>	<u>184,823,880</u>
Listed stocks at fair value				
- Hong Kong	2,515,928	4,239,075	2,515,928	4,239,075
- outside Hong Kong	29,218,829	41,819,285	29,218,829	41,819,285
	<u>31,734,757</u>	<u>46,058,360</u>	<u>31,734,757</u>	<u>46,058,360</u>
Other investments at fair value				
- unlisted debt securities	11,070,928	12,262,224	11,070,928	12,262,224
- unit-linked funds	74,911,720	87,916,693	107,035,282	118,190,411
- private equities	50,350,977	40,650,860	42,320,326	33,134,115
	<u>136,333,625</u>	<u>140,829,777</u>	<u>160,426,536</u>	<u>163,586,750</u>
	<u>414,895,818</u>	<u>460,143,702</u>	<u>346,219,574</u>	<u>394,468,990</u>

The above investment securities as at December 31, 2022 and December 31, 2021 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.

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18. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	Notional amount HK\$'000	2022 Assets HK\$'000	Liabilities HK\$'000
Forward currency contracts	67,881,566	3,430,340	355,962
Interest rate swap	18,475,645	102,673	3,670,839
Future contracts	41,781,579	433,870	2,500,476
Equity swaps	69,889	4,586	-
	<u>128,208,679</u>	<u>3,971,469</u>	<u>6,527,277</u>

Company

	Notional amount HK\$'000	2022 Assets HK\$'000	Liabilities HK\$'000
Forward currency contracts	67,881,566	3,430,340	355,962
Interest rate swap	18,475,645	102,673	3,670,839
Futures contracts	39,536,098	147,510	2,500,476
Equity swaps	69,889	4,586	-
	<u>125,963,198</u>	<u>3,685,109</u>	<u>6,527,277</u>

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
Futures contracts	38,660,857	533,394	236,707
Equity swaps	67,648	8,935	-
	<u>119,363,729</u>	<u>2,233,663</u>	<u>1,472,996</u>

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NOTES TO FINANCIAL STATEMENTS

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18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Company

	Notional amount HK\$'000	2021 Assets HK\$'000	2021 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	-
	<u>116,849,864</u>	<u>2,007,764</u>	<u>1,472,996</u>

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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Call deposits	1,016,349	1,034,703	275,340	224,927
Current accounts	9,683,992	11,148,751	7,397,147	9,042,582
Cash on hand	33	33	33	33
	<u>10,700,374</u>	<u>12,183,487</u>	<u>7,672,520</u>	<u>9,267,542</u>

(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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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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\$2,655 million (2021: HK\$2,500 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\$272 million (2021: HK\$224 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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Insurance contract liabilities	229,142,797	240,499,594	157,478,815	183,407,470
Investment contract liabilities	95,161,400	102,820,960	94,851,943	102,541,846
	<u>324,304,197</u>	<u>343,320,554</u>	<u>252,330,758</u>	<u>285,949,316</u>

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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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Insurance liabilities under insurance contracts</u>				
As at January 1	240,499,594	228,026,078	183,407,470	185,770,056
Premium received	18,170,795	42,728,987	15,374,841	32,754,940
Liability for death	(976,561)	(8,578,630)	(5,330,397)	(5,016,929)
Benefits, claims and other experience variance	12,995,351	(3,240,596)	4,555,780	(3,714,756)
Change in assumptions (note 35)	(58,880,538)	(9,477,737)	(61,907,208)	(13,784,591)
Investment income and change in unit price	4,864,469	6,935,801	2,395,404	5,039,521
Deposits	2,112,055	1,994,887	2,119,295	2,003,789
Withdrawals	(1,673,039)	(2,451,519)	(1,661,886)	(2,431,284)
Charges	(163,858)	(190,745)	(163,858)	(190,745)
Exchange realignment	(6,497,388)	1,775,869	(2,543)	270
Change in reinsurance relief (Natural movement)	(2,496,493)	(2,098,716)	(2,496,493)	(2,098,716)
Change in reinsurance relief (basis change and management action)	21,188,410	(14,924,085)	21,188,410	(14,924,085)
As at December 31	<u>229,142,797</u>	<u>240,499,594</u>	<u>157,478,815</u>	<u>183,407,470</u>

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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Insurance liabilities under investment contracts</u>				
As at January 1	102,820,960	97,315,212	102,541,846	97,074,446
Benefit, claims and other experience variance	(2,351)	(2,134)	(94)	125
Deposits	8,227,268	49,346,896	8,163,111	49,287,153
Withdrawals	(4,492,666)	(42,260,500)	(4,476,170)	(42,228,449)
Charges	(632,294)	(1,693,471)	(632,294)	(1,693,471)
Interest credited	(10,734,989)	113,983	(10,742,978)	108,840
Exchange realignment	(24,528)	974	(1,478)	(6,798)
As at December 31	<u>95,161,400</u>	<u>102,820,960</u>	<u>94,851,943</u>	<u>102,541,846</u>

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

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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, 4.83% grading to 4.11% over 15 years for HKD policies and 4.83% grading to 3.97% over 15 years for non HKD (excluding CNY) policies, and 2.21% for CNY policies issued in Hong Kong. For selected par whole life and critical illness products denominated in HKD, 6.72% is used. For selected older products reserved at the cash value level, 2.26% 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.

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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	2022	2021	2020	2019	2018
Hong Kong, including Macau	4.22%	2.22%	1.94%	2.60%	3.30%
China	2.90%	3.20%	3.70%	3.60%	4.10%

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	2022	2021	2020	2019	2018
Hong Kong, including Macau	94%	95%	95%	91%	85%

Note: Hong Kong, including Macau, accounts for about 78% of the Group in terms of the long-term insurance fund.

(ii) Sensitivities

(In HKD million)	2022				2021			
	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%	911	(911)	(911)	5%	1,825	(1,825)	(1,825)
Discount rate assumptions	-0.5%	17,963	(17,963)	(17,963)	-0.5%	43,617	(43,617)	(43,617)

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

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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.

MANULIFE (INTERNATIONAL) LIMITED

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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	2022			2021		
	Gross liabilities	Reinsurers' share of liabilities	Net liabilities	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
Whole life	161,794,211	(35,102,107)	126,692,104	195,710,447	(54,680,223)	141,030,224
Endowment	32,138,895	(6,515,958)	25,622,937	32,496,340	(7,437,857)	25,058,483
Unit linked	18,669,454	-	18,669,454	22,558,434	-	22,558,434
Others	62,901,299	(4,742,997)	58,158,302	61,845,541	(9,993,088)	51,852,453
Total life insurance contracts	275,503,859	(46,361,062)	229,142,797	312,610,762	(72,111,168)	240,499,594
Pension	58,294,002	-	58,294,002	57,913,707	-	57,913,707
Individual	36,867,398	-	36,867,398	44,907,253	-	44,907,253
Total investment contracts	95,161,400	-	95,161,400	102,820,960	-	102,820,960
Total life insurance and investment contracts	370,665,259	(46,361,062)	324,304,197	415,431,722	(72,111,168)	343,320,554

MANULIFE (INTERNATIONAL) LIMITED

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DECEMBER 31, 2022

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	2022				2021			
	Reinsurers' share of		Net liabilities	Gross liabilities	Reinsurers' share of		Net liabilities	
	Gross liabilities	liabilities			liabilities	liabilities		
In HK\$'000								
Hong Kong	203,839,877	(46,361,062)	157,478,815	252,468,193	(69,060,723)	183,407,470		
China	71,663,982	-	71,663,982	60,142,569	(3,050,445)	57,092,124		
Total life insurance contracts	275,503,859	(46,361,062)	229,142,797	312,610,762	(72,111,168)	240,499,594		

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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	2022				2021	
	Reinsurers' share of		Net liabilities	Gross liabilities	Reinsurers' share of	
In HK\$'000	Gross liabilities	liabilities			liabilities	Net liabilities
Hong Kong	94,851,943	-	94,851,943	102,541,846	-	102,541,846
China	309,457	-	309,457	279,114	-	279,114
Total investment contracts	95,161,400	-	95,161,400	102,820,960	-	102,820,960

(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).

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

21. POLICYHOLDER AMOUNTS ON DEPOSIT

Policyholder amounts on deposit represent payable balances placed 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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Long term business claims admitted but not paid in respect of:				
Life and annuity business	1,891,315	2,236,352	1,881,270	2,225,363
Linked long term business	53,433	69,222	53,432	69,222
Retirement scheme management category I	4,805	4,796	4,805	4,796
Retirement scheme management category III	120,637	123,145	74,567	84,007
	<u>2,070,190</u>	<u>2,433,515</u>	<u>2,014,074</u>	<u>2,383,388</u>

	Group		Company	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at January 1	2,433,515	2,395,628	2,383,388	2,339,102
Provided during the year	17,291,856	16,937,602	14,687,361	14,575,821
Paid during the year	(17,652,580)	(16,904,244)	(15,054,074)	(14,536,064)
Exchange realignment	(2,601)	4,529	(2,601)	4,529
As at December 31	<u>2,070,190</u>	<u>2,433,515</u>	<u>2,014,074</u>	<u>2,383,388</u>

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\$5,523 million (2021: HK\$5,274 million). Loss attributable to unit-holders for the year is HK\$487 million (Loss for 2021: HK\$46 million).

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts in respect of direct insurance business	6,294,513	6,898,600	2,364,721	2,784,187
Other accounts payable and accrued liabilities	2,720,602	3,115,623	2,554,193	2,859,948
Lease liabilities (note 26)	1,405,818	1,054,043	1,052,754	661,276
Fund withheld under reinsurance contract	47,091,476	52,870,723	47,091,476	52,870,723
	<u>57,512,409</u>	<u>63,938,989</u>	<u>53,063,144</u>	<u>59,176,134</u>

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\$408 million (2021: HK\$475 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, 2022, obligation under repurchase agreements have been fully settled by the Group. The carrying amount of the underlying securities were recognised in financial assets measured at fair value through profit or loss as at 31 December 2021.

	Gross amounts of recognised financial instruments	Gross amounts offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet as financial instruments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At December 31, 2022				
Obligation under repurchase agreements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

25. OBLIGATION UNDER REPURCHASE AGREEMENTS

	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
At December 31, 2021				
Obligation under repurchase agreements	<u>1,496,978</u>	<u>-</u>	<u>1,496,978</u>	<u>1,496,978</u>

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

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, 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	<u>(112,205)</u>	<u>(23,108)</u>	<u>(124,351)</u>	<u>(36,186)</u>
At December 31, 2021 and at January 1, 2022	912,321	1,054,043	562,159	661,276
Additions	731,529	714,848	592,497	575,816
Depreciation provided during the year (note 32)	(343,973)	-	(200,850)	-
Interest expense	-	27,769	-	12,179
Payments	-	(357,146)	-	(196,517)
Others	<u>(30,032)</u>	<u>(33,696)</u>	<u>-</u>	<u>-</u>
At December 31, 2022	<u>1,269,845</u>	<u>1,405,818</u>	<u>953,806</u>	<u>1,052,754</u>

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, 2022.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

26. LEASES (continued)

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

	2022 HK\$'000	Group 2021 HK\$'000
Interest on lease liabilities	27,769	23,236
Depreciation charge of right-of-use assets	343,973	317,493
Expense relating to short-term leases and other leases with remaining lease terms ended on or before end of the year	2,804	2,131
Expense relating to leases of low-value assets (included in general expenses)	9,483	14,283
Total amount recognised in profit or loss	<u>384,029</u>	<u>357,143</u>

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\$225 million (2021: HK\$246 million).

At December 31, 2022, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	199,876	200,339
After one year but within two years	198,625	199,699
After two years but within three years	170	198,446
	<u>398,671</u>	<u>598,484</u>

MANULIFE (INTERNATIONAL) LIMITED

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27. SHARE CAPITAL

	2022 HK\$'000	2021 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	<u>37,178,147</u>	<u>37,178,147</u>
	<u>38,764,929</u>	<u>38,764,929</u>
Issued and fully paid:		
2,034,741,502 (2021:2,034,741,502) common shares with par value of US\$1 each	<u>15,791,430</u>	<u>15,791,430</u>

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, 2021, December 31, 2021 and 2022	<u>2,034,741,502</u>	<u>15,791,430</u>	<u>2,145,943</u>	<u>17,937,373</u>

28. DIVIDENDS

Dividends paid during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Common shares: US\$0.246 per share (2021: US\$0.246)	<u>3,923,290</u>	<u>3,895,650</u>

MANULIFE (INTERNATIONAL) LIMITED

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29. PREMIUM INCOME

	Group	
	2022	2021
	HK\$'000	HK\$'000
Single premium	9,566,863	17,112,001
First year premium	6,629,335	7,407,616
Renewal premium	40,352,947	39,041,881
Reinsurance premium accepted	217,555	200,517
Gross premium income	56,766,700	63,762,015
Less: reinsurance premium ceded	(7,683,972)	(28,914,961)
Total premium income	49,082,728	34,847,054

30. INVESTMENT INCOME

	Group	
	2022	2021
	HK\$'000	HK\$'000
Interest income on debt securities	7,117,541	6,633,442
Realised (loss)/gain on debt securities	(2,593,103)	95,912
Realised (loss)/gain on equity securities, unlisted unit-linked funds and derivative financial instruments	(5,542,645)	10,524,846
Unrealised loss in value of listed investments, unlisted unit-linked funds and derivative financial instruments	(72,532,884)	(5,663,527)
Fair value loss on investment property	(270,000)	(50,000)
Loss attributable to unit holders	(487,064)	(45,522)
Dividend income	7,499,651	6,657,145
Mortgage and other loan interest income	586,107	525,743
Bank interest income	174,931	192,283
Policy loan interest income	438,147	421,283
Exchange loss	(39,651)	(36,318)
Investment gain under reinsurance contract	7,087,593	265,524
Others	289,737	369,043
	(58,271,640)	19,889,854

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

31. OTHER REVENUE

	Group	
	2022	2021
	HK\$'000	HK\$'000
Management fees	3,942,364	4,314,692
Policy and redemption charges	676,842	757,803
Ceded expense allowance	372,436	7,165,601
Others	629,370	226,415
	<u>5,621,012</u>	<u>12,464,511</u>

32. GENERAL EXPENSES AND COMMISSIONS

		Group	
	Notes	2022	2021
		HK\$'000	HK\$'000
Employee benefits expense		2,423,151	2,320,347
Depreciation charge of right-of-use assets	26	343,973	317,493
Expense relating to short-term leases and other leases with remaining lease terms ended on or before end of the year	26	2,804	2,131
Expense relating to leases of low-value assets	26	9,483	14,283
Amortisation of intangible assets	4	30,751	28,726
Depreciation	5	232,191	212,127
Auditor's remuneration		10,680	8,589
Commissions		6,164,471	8,482,701
Other expenses		2,458,167	1,982,788
		<u>11,675,671</u>	<u>13,369,185</u>

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 March 2022 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.

MANULIFE (INTERNATIONAL) LIMITED

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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, 2022 were as follows:

	2022		2021	
	Weighted average exercise price CAD	Number of options	Weighted average exercise price CAD	Number of options
At January 1	22.22	55,923	22.22	55,923
Granted during the year	-	-	-	-
Employees transferred out during the year	23.70	(42,370)	-	-
Exercised during the year	22.22	(13,553)	-	-
Expired during the year	-	-	-	-
At December 31		<u>-</u>	22.22	<u>55,923</u>

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

2022

Exercise Period	Exercise Prices*	Number of options
	CAD	
March 3, 2021 to March 5, 2030	-	-
March 5, 2020 to March 5, 2029	-	-
February 23, 2017 to February 23, 2026	-	-
		<u>-</u>

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
		<u>55,923</u>

* 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.

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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\$4.8 million (2021: HK\$28 million).

As at December 31, 2022, the carrying value of the RSU and PSU liabilities amounted to HK\$54 million (2021: HK\$56 million).

No stock options were granted in 2022 and 2021.

34. DIRECTORS' REMUNERATION

The directors received remuneration for their services rendered to the Group for the year amounting to HK\$13 million (2021: HK\$23 million).

The aggregate amount of remuneration of the three highest paid directors amounted to HK\$13 million (2021: HK\$23 million).

MANULIFE (INTERNATIONAL) LIMITED

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35. PROFIT BEFORE TAX

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

	Notes	Group 2022 HK\$'000	2021 HK\$'000
Staff costs:			
Wages and salaries		2,306,028	2,217,007
Pension contribution from employer		95,455	84,287
Share-based payment expenses		21,668	19,053
		<u>2,423,151</u>	<u>2,320,347</u>
Interest on lease liabilities	26	27,769	23,236
Depreciation charge of right-of-use assets	26	343,973	317,493
Amortisation of intangible assets	4	30,751	28,726
Depreciation	5	232,191	212,127
Loss on disposal of fixed assets		2,933	5,935
Auditor's remuneration		10,680	8,589
(Decrease)/ Increase in insurance funds liabilities arising from changes in assumptions	20(a)	(58,880,538)	(9,477,737)
Exchange loss/ (gain)		39,651	36,318
Realised loss/(gain) on debt securities		2,593,103	(95,912)
Realised loss/(gain) on equity securities, unlisted unit- linked funds and derivative financial instruments		5,542,645	(10,524,846)
Unrealised loss in value of listed investments, unlisted unit-linked funds and derivative financial instruments		72,532,884	5,663,527
Fair value loss on investment property	7	270,000	50,000
Interest income on debt securities		(7,117,541)	(6,633,442)
Dividend income		(7,499,651)	(6,657,145)
Policy loan interest income		(438,147)	(421,283)
Investment (gain)/loss under reinsurance contract		<u>(7,087,593)</u>	<u>(265,524)</u>

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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 (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
Current tax charge for the year – Hong Kong	257,579	205,045
Overprovision in prior year – Hong Kong	(680)	(884)
Current tax charge for the year – elsewhere	80,906	7,334
Deferred tax (credit)/ charge for the year – elsewhere (note 14)	(672,409)	361,228
Total tax (credit)/ charge for the year	<u>(334,604)</u>	<u>572,723</u>

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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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	
	2022	2021
	HK\$'000	HK\$'000
(Loss)/ profit before tax from continuing operations	(14,263,437)	24,465,436
Less: (Loss)/ profit attributable to businesses on which profits tax is levied based on premium income	11,420,708	(23,180,209)
(Loss)/ profit attributable to businesses on which profits tax is levied based on the results	(2,843,729)	1,285,227
Tax at the statutory tax rate (note a)	(469,215)	211,897
Tax effect of income not subject to tax	-	(6,346)
Tax effect of expense not deductible for tax	653,354	5,973
Tax effect of retirement scheme management accounting profits not subject to tax	(208,929)	(246,865)
Overprovision of profits tax in prior year	(680)	(884)
Others	(6,166)	5,024
Tax charge for businesses for which profits tax is levied based on the results in Hong Kong	(31,636)	(31,201)
Tax charge for businesses for which profits tax is levied based on premium income in Hong Kong	288,535	235,362
Deferred tax charge for the year – Hong Kong	-	-
Current tax charge for the year – elsewhere (note b)	80,906	7,334
Deferred tax charge for the year – elsewhere (note b)	(672,409)	361,228
Total tax charge for the year	(334,604)	572,723

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%.

MANULIFE (INTERNATIONAL) LIMITED

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37. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit for the year attributable to equity holders for the year ended December 31, 2022 dealt with in the financial statements of the Group and the Company is as follows:

	2022 HK\$'000	2021 HK\$'000
Group	<u>(9,538,555)</u>	<u>24,152,027</u>
Company	<u>(5,357,737)</u>	<u>23,954,434</u>

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\$271 million (2021: HK\$380 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
On demand (note)	<u>21,368,577</u>	<u>14,670,980</u>	<u>19,782,596</u>	<u>14,497,033</u>

Note:

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

MANULIFE (INTERNATIONAL) LIMITED

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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	2022 HK\$'000	2021 HK\$'000
Manulife Provident Funds Trust Company Limited			
Management service fee income	(i)	3,297,486	3,588,101
Manulife Investment Management (Hong Kong) Limited			
Trailer fee income	(ii)	184,990	217,827
Rental income	(iii)	14,148	15,334
Investment management service fee	(iv)	(152,661)	(187,436)
Administration and service fees	(v)	(55,924)	-
Manulife General Account Investments (HK) Limited			
Investment management service fee	(iv)	(473,342)	(389,198)
Manufacturers Life Insurance Company ("MLI")			
Management fee expense	(vi)	(66,518)	(73,113)
Manulife (Singapore) Pte. Ltd.			
Reinsurance premiums accepted	(vii)	121,055	119,583
Reinsurance claims	(vii)	(85,028)	(74,291)
PT Asuransi Jiwa Manulife Indonesia			
Reinsurance premiums accepted	(vii)	19,267	16,750
Reinsurance claims	(vii)	(14,746)	(35,846)
Manulife Data Services Inc. ("MDSI")			
Business processing service fee	(viii)	(36,209)	(53,160)
Manulife Information & Technologies Service (Chengdu) Company Limited ("MITS")			
Business processing service fee	(viii)	(274,327)	(184,065)
Manulife Financial Asia Limited ("MFAL")			
Interest income on loan	(ix)	9,370	18,890
Rental income	(iii)	182,624	201,206
Administration and service fees	(x)	(839,557)	(659,177)
Recharge relating to distribution services	(xi)	(167,799)	(100,015)

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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	2022 HK\$'000	2021 HK\$'000
Manufacturers Life Reinsurance Limited ("MLRL")			
Reinsurance premium ceded	(xii)	(5,391,580)	(25,943,775)
Investment loss/(gain) ceded	(xii)	7,087,593	265,524
Expense allowance ceded	(xii)	372,253	7,165,375
Policyholder benefits ceded	(xii)	<u>3,765,422</u>	<u>6,076,088</u>

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 administration and services fee arose from the provision of management oversight, governance and guidance in various operating functions and the amount was determined by the Group and Manulife Investment Management (Hong Kong) Limited.
- vi. The management fee was allocated by MLI and was determined by the Group and the Company.
- vii. 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.
- viii. 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.
- ix. The interest on loan was charged based on market interest rate.
- x. 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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)

- xi. The recharge was determined with reference to the distribution agreement between MFAL and the distributor.
- xii. 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	
	2022	2021
	HK\$'000	HK\$'000
Short term employee benefits	10,576	17,092
Post-employment benefits	202	470
Share-based payments	1,836	5,149
Total compensation paid to key management personnel	<u>12,614</u>	<u>22,711</u>

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

MANULIFE (INTERNATIONAL) LIMITED

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DECEMBER 31, 2022

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying values of each of the categories of financial instruments as at December 31, 2022 and 2021 are as follows.

2022

	Notes	Group		Company	
		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)	-	7,230,118	-	4,835,213
Mortgage and other loans	(i)	-	13,262,837	-	1,953,874
Accrued investment income	(i)	-	2,963,754	-	2,067,054
Premiums receivable	(i)	-	1,758,909	-	912,136
Loan to an intermediate holding company	(i)	-	476,306	-	476,306
Amounts due from affiliates	(i)	-	297,735	-	1,203,863
Amounts due from reinsurers	(i)	-	1,186,518	-	204,640
Financial assets included in other assets	(i)	-	6,302,984	-	5,888,566
Investment securities	(ii)	414,895,818	-	346,219,574	-
Derivative financial instruments	(ii)	3,971,469	-	3,685,109	-
Cash and cash equivalents	(i)	-	10,700,374	-	7,672,520
Total financial assets		418,867,287	44,179,535	349,904,683	25,214,172

	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	-	32,649,864	-	27,912,470
Amount due to affiliates	-	1,254,342	-	1,247,342
Derivative financial instruments	6,527,277	-	6,527,277	-
Amounts due to reinsurers	-	862,685	-	43,138
Claims payable	-	2,070,190	-	2,014,074
Financial liabilities included in accounts payable	407,952	6,497,560	407,952	2,738,532
Obligation under repurchase agreements	-	-	-	-
Total financial liabilities	6,935,229	43,334,641	6,935,229	33,955,556

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying values of each of the categories of financial instruments as at December 31, 2022 and 2021 are as follows: (continued)

2021

Financial assets

	Notes	Group		Company	
		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

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).

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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 2021 and 2022, 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.

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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, 2022 and 2021.

Group

		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
December 31, 2022	Notes				
Financial assets designated at fair value through profit or loss:					
Listed debt securities	17	246,827,436	-	-	246,827,436
Listed stocks	17	31,734,757	-	-	31,734,757
Unlisted debt securities	17	-	11,070,928	-	11,070,928
Unlisted unit-linked funds	17	-	74,911,720	-	74,911,720
Private equities	17	-	-	50,350,977	50,350,977
		<u>278,562,193</u>	<u>85,982,648</u>	<u>50,350,977</u>	<u>414,895,818</u>
Derivative financial instruments:					
Forward currency contracts	18	-	3,430,340	-	3,430,340
Interest rate swap	18	-	102,673	-	102,673
Futures contracts	18	96,502	337,368	-	433,870
Equity swaps	18	-	4,586	-	4,586
		<u>96,502</u>	<u>3,874,967</u>	<u>-</u>	<u>3,971,469</u>
Total financial assets		<u>278,658,695</u>	<u>89,857,615</u>	<u>50,350,977</u>	<u>418,867,287</u>
	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 liabilities designated at fair value through profit or loss:					
Financial liabilities included in accounts payable		<u>407,952</u>	-	-	<u>407,952</u>
Derivative financial instruments:					
Forward currency contracts	18	-	355,962	-	355,962
Interest rate swap	18	-	3,670,839	-	3,670,839
Futures contracts	18	588	2,499,888	-	2,500,476
		<u>588</u>	<u>6,526,689</u>	<u>-</u>	<u>6,527,277</u>
Total financial liabilities		<u>408,540</u>	<u>6,526,689</u>	<u>-</u>	<u>6,935,229</u>

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

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

Group

		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
December 31, 2021	Notes				
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
		<u>319,313,925</u>	<u>100,178,917</u>	<u>40,650,860</u>	<u>460,143,702</u>
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
		<u>75,815</u>	<u>2,157,848</u>	<u>-</u>	<u>2,233,663</u>
Total financial assets		<u>319,389,740</u>	<u>102,336,765</u>	<u>40,650,860</u>	<u>462,377,365</u>
	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
		<u>992</u>	<u>1,472,004</u>	<u>-</u>	<u>1,472,996</u>
Total financial liabilities		<u>476,237</u>	<u>1,472,004</u>	<u>-</u>	<u>1,948,241</u>

MANULIFE (INTERNATIONAL) LIMITED

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

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

<u>Company</u>		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
December 31, 2022	Notes				
Financial assets designated at fair value through profit or loss:					
Listed debt securities	17	154,058,281	-	-	154,058,281
Listed stocks	17	31,734,757	-	-	31,734,757
Unlisted debt securities	17	-	11,070,928	-	11,070,928
Unlisted unit-linked funds	17	-	107,035,282	-	107,035,282
Private equities	17	-	-	42,320,326	42,320,326
		185,793,038	118,106,210	42,320,326	346,219,574
Derivative financial instruments:					
Forward currency contracts	18	-	3,430,340	-	3,430,340
Interest rate swap	18	-	102,673	-	102,673
Futures contracts	18	96,502	51,008	-	147,510
Equity swaps	18	-	4,586	-	4,586
		96,502	3,588,607	-	3,685,109
Total financial assets		185,889,540	121,694,817	42,320,326	349,904,683
		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:	Note				
Financial liabilities included in accounts payable		407,952	-	-	407,952
Derivative financial instruments:					
Forward currency contracts	18	-	355,962	-	355,962
Interest rate swap	18	-	3,670,839	-	3,670,839
Futures contracts	18	588	2,499,888	-	2,500,476
		588	6,526,689	-	6,527,277
Total financial liabilities		408,540	6,526,689	-	6,935,229

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

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

Company

		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
December 31, 2021	Notes				
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 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

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022	Total gain in statement of profit or loss	Purchases	Redemption	At December 31, 2022	Total gain for the year included in profit or loss for assets held at December 31, 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Private equities	40,650,860	487,048	20,514,291	(11,301,222)	50,350,977	487,048

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

Company

Financial assets designated at fair value through profit or loss:	At January 1, 2022	Total gain in statement of profit or loss	Purchases	Redemption	At December 31, 2022	Total gain for the year included in profit or loss for assets held at December 31, 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Private equities	33,134,115	1,146,609	19,120,988	(11,081,386)	42,320,326	1,146,609

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

MANULIFE (INTERNATIONAL) LIMITED

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DECEMBER 31, 2022

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 2022			Company 2022		
	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	-	487,048	487,048	-	1,146,609	1,146,609
Total gain included in profit or loss for the year for assets held at the end of the reporting year	-	487,048	487,048	-	1,146,609	1,146,609

	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

During the year 2022 and 2021, 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

	2022			2021		
	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
(In HKD million)						
RMB	5%	(14.5)	(14.5)	5%	(116.7)	(116.7)

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.

MANULIFE (INTERNATIONAL) LIMITED

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DECEMBER 31, 2022

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, 2022

	HK and US Dollar	Renminbi	Other	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Policy loans	4,816,194	2,394,905	19,019	7,230,118
Mortgage and other loans	-	11,308,963	1,953,874	13,262,837
Accrued investment income	2,204,672	555,579	203,503	2,963,754
Premiums receivable	911,758	846,947	204	1,758,909
Loan to an intermediate holding company	476,306	-	-	476,306
Amounts due from affiliates	253,513	31,566	12,656	297,735
Amounts due from reinsurers	142,489	1,044,029	-	1,186,518
Financial assets included in other assets	5,886,532	414,419	2,033	6,302,984
Investment securities				
Listed debt securities	179,948,934	48,652,939	18,225,563	246,827,436
Listed stocks	31,734,757	-	-	31,734,757
Unlisted debt securities	6,283,357	-	4,787,571	11,070,928
Unlisted unit-linked funds	66,902,183	7,770,157	239,380	74,911,720
Private equities	38,526,289	6,632,563	5,192,125	50,350,977
Derivative financial instruments	3,675,598	287,345	8,526	3,971,469
Cash and cash equivalents	7,144,029	2,876,459	679,886	10,700,374
Total financial assets	348,906,611	82,815,871	31,324,340	463,046,822
Insurance funds	252,022,148	72,019,487	262,562	324,304,197
Policyholder amounts on deposit	27,734,274	4,827,040	88,550	32,649,864
Amounts due to affiliates	357,191	18,213	878,938	1,254,342
Derivative financial instruments	6,178,399	48,243	300,635	6,527,277
Amounts due to reinsurers	43,138	819,547	-	862,685
Claims payable	1,975,871	78,192	16,127	2,070,190
Financial liabilities included in accounts payable	2,940,417	3,756,501	208,594	6,905,512
Obligation under repurchase agreements	-	-	-	-
Total financial liabilities	291,251,438	81,567,223	1,755,406	374,574,067

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

Currency	Liability Valuation Interest Rate	
	2022	2021
USD	From 4.83% grading to 3.97%	2.25% at all years
HKD	Selected par whole life and critical illness products: 6.72% Others: From 4.83% grading to 4.11%	Selected par whole life and critical illness products: 6.71% Others: From 2.25% grading to 1.90%
RMB	2.11%	2.44%

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.

(In HKD million)	2022			2021		
	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	2,298	2,298	50	(12,462)	(12,462)
HKD	50	(1,450)	(1,450)	50	(17,252)	(17,252)
RMB	50	(6,685)	(6,685)	50	(4,280)	(4,280)

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022	High/Low 2022	December 31, 2021	High/Low 2021
Hong Kong – Hang Seng Index	19,781	24,966/ 14,687	23,398	31,085/ 22,745
United States – S&P 500 Index	3,840	4,797/ 3,577	4,766	4,793/ 3,701

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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
2022				
Investment denominated in:				
HKD	5%	11,188	(559)	(559)
USD	5%	59,073	(2,954)	(2,954)
2021				
Investment denominated in:				
HKD	5%	12,807	(640)	(640)
USD	5%	64,636	(3,232)	(3,232)

Note: Hong Kong and United States denominated equities account for over 86% of total equity investments of the Group.

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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.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

December 31, 2022	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	7,230,118	-	-	-	-	7,230,118
Mortgage and other loans	817,515	2,411,784	1,365,990	8,667,548	-	13,262,837
Accrued investment income	2,963,754	-	-	-	-	2,963,754
Premiums receivable	1,758,909	-	-	-	-	1,758,909
Loan to an intermediate holding company	156,083	320,223	-	-	-	476,306
Amounts due from affiliates	297,735	-	-	-	-	297,735
Amounts due from reinsurers	1,186,518	-	-	-	-	1,186,518
Financial assets included in other assets	6,302,984	-	-	-	-	6,302,984
Investment securities						
Listed debt securities	11,190,240	13,891,592	17,890,862	154,673,367	49,181,375	246,827,436
Listed stocks	31,734,757	-	-	-	-	31,734,757
Unlisted debt securities	259,668	775,309	1,578,034	8,457,917	-	11,070,928
Unlisted unit-linked funds	7,481,444	-	-	-	67,430,276	74,911,720
Private equities	50,350,977	-	-	-	-	50,350,977
Derivative financial instruments	201,051	618,892	360,815	2,787,528	3,183	3,971,469
Cash and cash equivalents	10,700,374	-	-	-	-	10,700,374
Total financial assets	132,632,127	18,017,800	21,195,701	174,586,360	116,614,834	463,046,822
Insurance funds	170,436	967,870	601,120	212,669,762	109,895,009	324,304,197
Policyholder amounts on deposit	32,649,864	-	-	-	-	32,649,864
Amounts due to affiliates	1,254,342	-	-	-	-	1,254,342
Derivative financial instruments	1,112,348	926,148	804,711	3,684,070	-	6,527,277
Amounts due to reinsurers	862,685	-	-	-	-	862,685
Claims payable	2,070,190	-	-	-	-	2,070,190
Financial liabilities included in accounts payable	6,905,512	-	-	-	-	6,905,512
Obligation under repurchase agreements	-	-	-	-	-	-
Total financial liabilities	45,025,377	1,894,018	1,405,831	216,353,832	109,895,009	374,574,067

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

December 31, 2021					Segregated funds/ Unit-linked	
	Up to a year	1-3 years	3-5 years	Over 5 years		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

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022:

	With investment grade HK\$'000	Non- investment grade HK\$'000	Rating not available HK\$'000	Segregated funds HK\$'000	Total HK\$'000
Policy loans	-	-	7,230,118	-	7,230,118
Mortgage and other loans	11,787,950	1,474,887	-	-	13,262,837
Accrued investment income	-	-	2,963,754	-	2,963,754
Premiums receivable	-	-	1,758,909	-	1,758,909
Loan to an intermediate holding company	-	-	476,306	-	476,306
Amount due from affiliates	-	-	297,735	-	297,735
Amount due from reinsurers	1,186,518	-	-	-	1,186,518
Financial assets included in other assets	-	-	6,302,984	-	6,302,984
Investment securities					
Listed debt securities	190,335,659	474,809	6,835,593	49,181,375	246,827,436
Listed stocks	-	-	31,734,757	-	31,734,757
Unlisted debt securities	3,111,560	-	7,959,368	-	11,070,928
Unlisted unit-linked funds	-	-	7,481,444	67,430,276	74,911,720
Private equities	-	-	50,350,977	-	50,350,977
Derivative financial instruments	-	-	3,971,469	-	3,971,469
Cash and cash equivalents	10,141,282	-	559,092	-	10,700,374
Total financial assets	216,562,969	1,949,696	127,922,506	116,611,651	463,046,822

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

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

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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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, 2022		
	Amount due from reinsurers	Listed debt securities	Financial assets that meet the SPPI criteria
	%	%	HK\$000
AAA	-	5	-
AA+ to AA-	62	26	4,217,147
A+ to A-	37	48	9,321,543
BBB+ to BBB-	-	17	9,833,585
Non-investment grade	-	-	1,474,887
Rating not available	1	4	19,332,373
Total	100	100	44,179,535

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

(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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

43. SUBSEQUENT EVENT

There were no material events subsequent to 31 December 2022 and up to the date of issuance of the financial statements.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements was approved and authorised for issue by the board of directors on April 26, 2023.