

Report of the Directors and Financial Statements

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

December 31 2024

# 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 for the year ended December 31, 2024.

### Principal activities

The Company's principal activities involve the transaction of life insurance business and administration of retirement schemes. The Company 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 Company's subsidiaries are set out in note 6 to the financial statements.

### Results and dividends

The Company's profit for the year ended December 31, 2024 and the state of affairs of the Company at that date are set out in the financial statements on pages 10 to 121.

Dividends totaling HK\$11,560 million were paid during the year. Details of the dividends are set out in note 22 of the financial statements.

### Fixed assets

Details of movements in fixed assets of the Company 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 21 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:

#### Director

Patrick David Graham  
Rachel Elizabeth Derry  
Philip James Witherington  
Michael Andree Thomssen (resigned on February 25, 2025)

#### Independent Non-executive Directors

Garry Alides Willinge  
Ngan, Edith Manling (appointed on June 25, 2024)

In accordance with the Company's bye-laws, all remaining 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  
Patrick David Graham  
Philip James Witherington

### 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:

Patrick David Graham  
Philip James Witherington  
Michael Andree Thomssen (resigned on February 25, 2025)

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 Company made charitable donations of HK\$0.5 million.

# MANULIFE (INTERNATIONAL) LIMITED

## REPORT OF THE DIRECTORS

### Material reinsurance arrangements

The Company has reinsurance arrangements with various reputable reinsurers for its Hong Kong and Macau businesses. They are summarized 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)<br>US\$100,000/HK\$800,000 (risks not assessed by reinsurer)                                                                                                                                |
| ManuMulti Care (MMC)<br>ManuEssential Care (MEC)<br>ManuPrime Care (MPC)<br>Cancer Treatment Benefit Rider<br>Health Care Plans<br>CareGuard Critical Illness Benefit Rider | Quota Share and Excess | the lower of<br>(a) 50% of the net amount each risk at policy commencement date on a per life basis<br>(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<br>50% of initial sum at risk<br>(a) or 20% of initial sum at risk for policies after Sep 1, 2019:<br>(b) US\$5,000,000 for HK and Macau residents;<br>(c) US\$3,000,000 for PRC residents;<br>(d) US\$1,000,000 for the rest of the countries |
| Alpha Regular Investor<br>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)

| <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)<br>ManuAmber Care (MAC)                                                                                          | Quota Share and Excess | the lower of<br>(a) 50% of the net amount at risk at policy commencement date on a per life basis;<br>(b) US\$100,000/HK\$800,000 net amount at risk at policy commencement date on a per life basis                                                                |
| ManuVital Care (MVC)<br>ManuBright Care (MBC) series<br>ManuLove Care (MLC)<br>ManuPrimo Care (MPC) series<br>Manulife Bright Care Pro | Quota Share and Excess | the lower of<br>(a) 20% of the net amount at risk at policy commencement date on a per life basis;<br>(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<br>(a) 20% of the net amount at risk at policy commencement date on a per life basis;<br>(b) US\$5,000,000 for Hong Kong and Macau Residents;<br>(c) US\$3,000,000 for PRC Residents;<br>(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)<br>US\$1,000,000 (policy issued from July 1, 2006)                                                                                                                                                             |
| Harvest Saver                                                                                                                          | Quota Share            | 5% quota share                                                                                                                                                                                                                                                      |
| FlexiFortune Annuity Plan's<br>Dementia Care Booster                                                                                   | Excess and Quota Share | the lower of<br>(a) 20% of the net amount at risk at policy commencement date on a per life basis;<br>(b) HK\$800,000 net amount at risk at policy commencement date on a per life basis                                                                            |

# MANULIFE (INTERNATIONAL) LIMITED

## REPORT OF THE DIRECTORS

### Material reinsurance arrangements (continued)

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.

Selected universal life policies are ceded to RGA Reinsurance Company, Swiss Reinsurance Company and SCOR SE from July 1, 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.

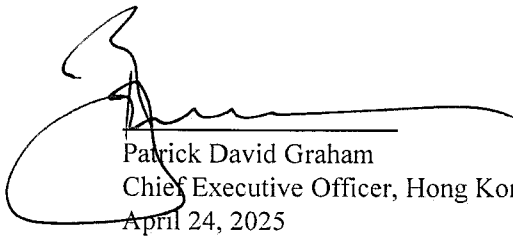
MANULIFE (INTERNATIONAL) LIMITED

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



Patrick David Graham  
Chief Executive Officer, Hong Kong  
April 24, 2025

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

**Opinion**

We have audited the financial statements of Manulife (International) Limited (the "Company") set out on pages 10 to 121, which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2024, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company 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 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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements**

The directors of the Company are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



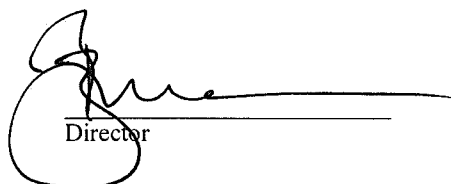
Certified Public Accountants  
Hong Kong  
24 April 2025

MANULIFE (INTERNATIONAL) LIMITED

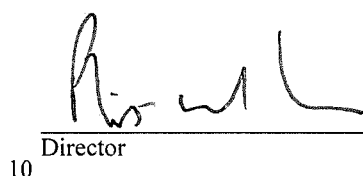
STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

|                                                                                                | Notes | 2024<br>HK\$'000   | 2023<br>HK\$'000   |
|------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| <b>ASSETS</b>                                                                                  |       |                    |                    |
| Intangible assets                                                                              | 4     | 470,186            | 500,661            |
| Goodwill                                                                                       | 8     | 1,122,666          | 1,122,666          |
| Investment property                                                                            | 7     | 6,244,000          | 6,370,000          |
| Fixed assets                                                                                   | 5     | 617,644            | 562,484            |
| Interests in subsidiaries                                                                      | 6     | 781,921            | 781,921            |
| Mortgage and other loans                                                                       | 9     | 1,786,032          | 1,795,679          |
| Accrued investment income                                                                      | 10    | 2,324,694          | 2,139,034          |
| Loan to an intermediate holding company                                                        | 11    | 160,721            | 320,370            |
| Deferred tax assets                                                                            | 12    | 373,477            | 149,561            |
| Tax recoverable                                                                                |       | 125,285            | —                  |
| Amounts due from affiliates                                                                    | 13    | 992,912            | 1,004,878          |
| Insurance contract assets                                                                      | 17    | 62,437             | 9,406              |
| Reinsurance contract held assets                                                               | 17    | 5,119,822          | 5,289,293          |
| Other assets                                                                                   |       | 6,591,381          | 7,038,063          |
| Investment securities                                                                          | 14    | 304,738,099        | 273,695,876        |
| Derivative financial instruments                                                               | 15    | 6,302,804          | 5,430,420          |
| Cash and bank balances                                                                         | 16    | 4,808,096          | 8,123,733          |
| Segregated funds net assets                                                                    |       | 120,879,589        | 115,303,786        |
| <b>TOTAL ASSETS</b>                                                                            |       | <b>463,501,766</b> | <b>429,637,831</b> |
| <b>LIABILITIES</b>                                                                             |       |                    |                    |
| Insurance contract liabilities                                                                 | 17    | 268,546,015        | 250,705,451        |
| Reinsurance contract held liabilities                                                          | 17    | 269,392            | 742,756            |
| Investment contract liabilities                                                                | 18    | 251,301            | 321,001            |
| Amounts due to affiliates                                                                      |       | 1,846,515          | 1,623,003          |
| Tax payable                                                                                    |       | 55,468             | 235,602            |
| Derivative financial instruments                                                               | 15    | 9,124,188          | 5,810,926          |
| Accounts payable and accrued liabilities                                                       | 19    | 20,427,493         | 6,926,475          |
| Insurance contract liabilities for account of segregated fund holders                          | 17    | 49,791,723         | 49,400,607         |
| Investment contract liabilities for account of segregated fund holders                         | 18    | 71,087,866         | 65,903,179         |
| <b>TOTAL LIABILITIES</b>                                                                       |       | <b>421,399,961</b> | <b>381,669,000</b> |
| <b>NET ASSETS</b>                                                                              |       | <b>42,101,805</b>  | <b>47,968,831</b>  |
| <b>EQUITY</b>                                                                                  |       |                    |                    |
| Issued capital                                                                                 | 21    | 15,791,430         | 15,791,430         |
| Share premium                                                                                  |       | 2,145,943          | 2,145,943          |
| Share option reserve                                                                           |       | 38,350             | 38,350             |
| Shareholders and other equity holder' retained earnings                                        |       | 42,110,298         | 43,406,951         |
| Shareholders and other equity holders' accumulated other comprehensive income/ (loss) ("AOCI") |       | (17,984,216)       | (13,413,843)       |
| <b>TOTAL EQUITY</b>                                                                            |       | <b>42,101,805</b>  | <b>47,968,831</b>  |



Director



Director

MANULIFE (INTERNATIONAL) LIMITED

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2024

|                                                                                                                   | Notes | 2024<br>HK\$'000  | 2023<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------|-------|-------------------|------------------|
| <b>Insurance service results:</b>                                                                                 |       |                   |                  |
| Insurance revenue                                                                                                 |       | 12,201,139        | 10,116,553       |
| Insurance service expenses                                                                                        |       | (5,664,027)       | (4,269,363)      |
| Net income from reinsurance contracts held                                                                        |       | 611,162           | 712,928          |
| <b>Total insurance service result</b>                                                                             |       | <b>7,148,274</b>  | <b>6,560,118</b> |
| <b>Investment result:</b>                                                                                         |       |                   |                  |
| Investment income                                                                                                 |       |                   |                  |
| Investment income                                                                                                 | 23    | 9,506,234         | 7,095,358        |
| Realized and unrealized gains on assets supporting insurance and investment contract liabilities                  | 23    | 3,774,953         | 9,365,738        |
| Investment expenses                                                                                               |       | (243,005)         | (314,902)        |
| Net investment income                                                                                             |       | 13,038,182        | 16,146,194       |
| Insurance finance expense and effect of movement in foreign exchange rates                                        |       | (9,574,474)       | (13,417,525)     |
| Reinsurance finance expense and effect of movement in foreign exchange rates                                      |       | (1,796,265)       | (1,916,580)      |
| Decrease/ (increase) in investment contract liabilities                                                           |       | 14,163            | (60,435)         |
| Segregated funds investment results                                                                               |       |                   |                  |
| Investment income related to segregated funds net assets                                                          |       | 9,479,372         | 10,490,680       |
| Financial changes related to insurance and investment contract liabilities for account of segregated fund holders |       | (9,479,372)       | (10,490,680)     |
| Net segregated funds investment results                                                                           |       | —                 | —                |
| <b>Total investment result</b>                                                                                    |       | <b>1,681,606</b>  | <b>751,654</b>   |
| Other revenue                                                                                                     | 24    | 3,702,340         | 3,006,047        |
| General expenses                                                                                                  | 25    | (1,428,826)       | (1,374,104)      |
| Commissions related to non-insurance contracts                                                                    |       | (791,721)         | (593,341)        |
| Finance costs                                                                                                     |       | (133,472)         | (41,513)         |
| <b>Profit before tax</b>                                                                                          |       | <b>10,178,201</b> | <b>8,308,861</b> |
| Income tax credit/ (expense)                                                                                      | 29    | 85,339            | (155,798)        |
| <b>Profit for the year</b>                                                                                        |       | <b>10,263,540</b> | <b>8,153,063</b> |

MANULIFE (INTERNATIONAL) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2024

|                                                                                                                | 2024             | 2023             |
|----------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                | HK\$'000         | HK\$'000         |
| <b>Profit for the year</b>                                                                                     | 10,263,540       | 8,153,063        |
| <b>Other comprehensive income</b>                                                                              |                  |                  |
| Insurance finance income/ (expense)                                                                            | 2,614,187        | (6,691,485)      |
| Reinsurance finance income/ (expense)                                                                          | 14,297           | 22,462           |
| Fair value through OCI investments                                                                             |                  |                  |
| Unrealized (losses)/ gains arising during the period on<br>assets supporting insurance and investment contract | (7,198,857)      | 7,300,517        |
| Total items that may be subsequently reclassified to net income                                                | (4,570,373)      | 631,494          |
| <b>Total comprehensive income for the year, net of tax</b>                                                     | <u>5,693,167</u> | <u>8,784,557</u> |

MANULIFE (INTERNATIONAL) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

|                                                                                                       | Notes | Issued<br>capital | Share<br>premium | Share<br>option<br>reserve | Shareholders<br>and other<br>equity holders'<br>retained<br>earnings | AOCI                | Total             |
|-------------------------------------------------------------------------------------------------------|-------|-------------------|------------------|----------------------------|----------------------------------------------------------------------|---------------------|-------------------|
|                                                                                                       |       | HK\$'000          | HK\$'000         | HK\$'000                   | HK\$'000                                                             | HK\$'000            | HK\$'000          |
| <b>Balance as at December 31, 2022</b>                                                                |       | <b>15,791,430</b> | <b>2,145,943</b> | <b>39,660</b>              | <b>39,262,705</b>                                                    | <b>(14,045,337)</b> | <b>43,194,401</b> |
| Opening adjustment of insurance contracts<br>and financial assets at adoption of<br>HKFRS 9/ HKFRS 17 |       | —                 | —                | —                          | (19,377)                                                             | —                   | (19,377)          |
| <b>At January 1, 2023</b>                                                                             |       | <b>15,791,430</b> | <b>2,145,943</b> | <b>39,660</b>              | <b>39,243,328</b>                                                    | <b>(14,045,337)</b> | <b>43,175,024</b> |
| Other comprehensive income for the year                                                               |       | —                 | —                | —                          | —                                                                    | 631,494             | 631,494           |
| Profit for the year                                                                                   |       | —                 | —                | —                          | 8,153,063                                                            | —                   | 8,153,063         |
| Share-based payments arrangement                                                                      |       | —                 | —                | (1,310)                    | —                                                                    | —                   | (1,310)           |
| Dividends                                                                                             | 22    | —                 | —                | —                          | (3,989,440)                                                          | —                   | (3,989,440)       |
| <b>Balance as at December 31, 2023</b>                                                                |       | <b>15,791,430</b> | <b>2,145,943</b> | <b>38,350</b>              | <b>43,406,951</b>                                                    | <b>(13,413,843)</b> | <b>47,968,831</b> |
| Other comprehensive income for the year                                                               |       | —                 | —                | —                          | —                                                                    | (4,570,373)         | (4,570,373)       |
| Profit for the year                                                                                   |       | —                 | —                | —                          | 10,263,540                                                           | —                   | 10,263,540        |
| Share-based payments arrangement                                                                      |       | —                 | —                | —                          | —                                                                    | —                   | —                 |
| Dividends                                                                                             | 22    | —                 | —                | —                          | (11,560,193)                                                         | —                   | (11,560,193)      |
| <b>Balance as at December 31, 2024</b>                                                                |       | <b>15,791,430</b> | <b>2,145,943</b> | <b>38,350</b>              | <b>42,110,298</b>                                                    | <b>(17,984,216)</b> | <b>42,101,805</b> |

## MANULIFE (INTERNATIONAL) LIMITED

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

|                                                                       | 2024                | 2023               |
|-----------------------------------------------------------------------|---------------------|--------------------|
|                                                                       | HK\$'000            | HK\$'000           |
| <b>CASH GENERATED FROM OPERATING ACTIVITIES</b>                       |                     |                    |
| Profit before tax                                                     | 10,178,201          | 8,308,861          |
| Adjustments for:                                                      |                     |                    |
| Finance costs                                                         | 133,472             | 41,513             |
| Depreciation                                                          | 222,117             | 173,599            |
| Change in fair value of investment property                           | 126,000             | 250,000            |
| Depreciation of right-of-use assets                                   | 215,729             | 225,833            |
| Amortization of intangible assets                                     | 30,475              | 30,308             |
| Impairment of intangible assets                                       | —                   | 11,888             |
| Share-based payment                                                   | —                   | (1,310)            |
|                                                                       | <u>10,905,994</u>   | <u>9,040,692</u>   |
| Decrease/ (increase) in mortgage and other loans                      | 9,647               | (15,424)           |
| Increase in accrued investment income                                 | (185,660)           | (260,804)          |
| Change in amounts due from/to affiliates, net                         | 235,478             | 601,821            |
| Decrease/ (increase) in other assets                                  | 230,953             | (191,259)          |
| Increase in investment securities                                     | (38,241,079)        | (29,668,446)       |
| Increase in derivative financial instruments, assets                  | (872,384)           | (1,745,009)        |
| (Increase)/ decrease in reinsurance contract assets                   | (289,596)           | 97,704             |
| Increase in net insurance contract liabilities                        | 20,401,720          | 26,873,915         |
| (Decrease)/ increase in investment contract liabilities               | (69,700)            | 24,086             |
| Increase/ (decrease) in derivative financial instruments, liabilities | 3,313,262           | (716,351)          |
| Increase in accounts payable and accrued liabilities                  | <u>13,841,447</u>   | <u>1,634,503</u>   |
| <b>Cash generated from operating activities</b>                       | <u>9,280,082</u>    | <u>5,675,428</u>   |
| <b>OPERATING ACTIVITIES</b>                                           |                     |                    |
| Hong Kong profits tax paid                                            | (302,762)           | (51,094)           |
| Overseas tax paid                                                     | (140,661)           | (93,551)           |
| Finance costs                                                         | <u>(133,472)</u>    | <u>(41,513)</u>    |
| <b>Net cash inflow from operating activities</b>                      | <u>8,703,187</u>    | <u>5,489,270</u>   |
| <b>INVESTING ACTIVITIES</b>                                           |                     |                    |
| Purchases of fixed assets                                             | (277,277)           | (208,084)          |
| Placement of deposit with original maturity over three months         | (97,088)            | (97,087)           |
| Withdrawal of deposit with original maturity over three months        | 97,087              | 97,087             |
| <b>Net cash outflow from investing activities</b>                     | <u>(277,278)</u>    | <u>(208,084)</u>   |
| <b>FINANCING ACTIVITIES</b>                                           |                     |                    |
| Principal portion of lease payments                                   | (199,768)           | (203,719)          |
| Dividends paid                                                        | (11,560,193)        | (3,989,440)        |
| Repayment of loan to an intermediate holding company                  | 159,649             | 155,936            |
| <b>Net cash outflow from financing activities</b>                     | <u>(11,600,312)</u> | <u>(4,037,223)</u> |
|                                                                       | (3,174,403)         | 1,243,963          |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                        | 8,026,646           | 6,860,735          |
| Effect of foreign exchange rate changes, net                          | <u>(141,235)</u>    | <u>(78,052)</u>    |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                              | <u>4,711,008</u>    | <u>8,026,646</u>   |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>              |                     |                    |
| Bank call deposits                                                    | 427,769             | 661,746            |
| Bank current accounts                                                 | 4,283,204           | 7,364,865          |
| Cash on hand                                                          | <u>35</u>           | <u>35</u>          |
|                                                                       | <u>4,711,008</u>    | <u>8,026,646</u>   |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1 CORPORATE 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

These financial statements have 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. These financial statements have been prepared under the historical cost convention, except for investment property, derivative financial instruments, and investment securities, which have been measured at fair value. These financial statements are presented in Hong Kong dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

The Company presents its 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liabilities simultaneously.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

|                                  |                                                                                            |
|----------------------------------|--------------------------------------------------------------------------------------------|
| Amendments to HKAS 1             | <i>Classification of Liabilities as Current or Non-current<br/>(the "2020 Amendments")</i> |
| Amendments to HKAS 1             | <i>Non-current Liabilities with Covenants<br/>(the "2022 Amendments")</i>                  |
| Amendments to HKFRS 16           | <i>Lease Liability in Sale and Leaseback</i>                                               |
| Amendments to HKAS 7 and HKFRS 7 | <i>Supplier Finance Arrangement</i>                                                        |
| Amendments to HKAS 12            | <i>International Tax Reform – Pillar Two Model Rules</i>                                   |

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Company has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Company.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. Since the Company has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Company.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Company does not have supplier finance arrangements, the amendments did not have any impact on the Company's financial statements.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKAS 12 “Income Taxes” were issued in July 2023. The amendments relate to the Organization for Economic Cooperation and Development’s International Pillar Two tax reform, which seeks to establish a global minimum income tax rate of 15% and addresses inter-jurisdictional base erosion and profit shifting, targeting larger international companies. Most jurisdictions have agreed to participate and effective dates for Global Minimum Taxes (“GMT”) vary by jurisdiction based on local legislation. The GMT Pillar Two legislation is expected to be enacted in Hong Kong by end of June 2025. The Company is assessing the impact of this standard on the Company's financial statements.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

|                                                                      |                                                                                                          |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| HKFRS 18                                                             | <i>Presentation and Disclosure in Financial Statements<sup>4</sup></i>                                   |
| HKFRS 19                                                             | <i>Subsidiaries without public Accountability Disclosures<sup>1</sup></i>                                |
| Amendments to HKFRS 9 and HKFRS 7                                    | <i>Amendments to the Classification and Measurement of Financial Instruments<sup>3</sup></i>             |
| Amendments to HKFRS 10 and HKAS 28                                   | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i> |
| Amendments to HKAS 21                                                | <i>Lack of Exchangeability<sup>2</sup></i>                                                               |
| <i>Annual Improvements to HKFRS Accounting Standards — Volume 11</i> | <i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7<sup>3</sup></i>                          |

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2025

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2026

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2027

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Company is currently analyzing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Company's financial statements.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

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

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. The Company is considering the application of HKFRS 19 in the financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognized and introduce an accounting policy option to derecognize a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Company's financial statements.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

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

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Company are as follows:

- HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognize any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Company's financial statements.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Company 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 Company. 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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the financial statements on a recurring basis, the Company 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, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company 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 Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Company 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 Company 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 Company or an entity related to the Company;
  - (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 Company or to the parent of the Group.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL 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 capitalized in the carrying amount of the asset as a replacement. Where significant parts of fixed assets are required to be replaced at intervals, the Company recognizes 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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized 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 recognized 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, 2024

2.4 MATERIAL 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The Company estimates the useful life of the distribution network and customer relationships to be at least 4 years based on the expected passage of time or in relation to asset consumption metrics. The amortization period and the amortization method for the intangible assets are reviewed at least at each financial year end. The amortization charge for the year is included in the statement of profit or loss under “General expenses”.

Goodwill

Goodwill represents the difference between the purchase consideration of an acquired business and the Company’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 Company 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company 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 Company 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 recognized 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 recognized 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.

Investments and other financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Company commits to purchase or sell the asset.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

*Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Company had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

*Financial assets at fair value through profit or loss (continued)*

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derivative financial instruments and hedging

*Initial recognition and subsequent measurement*

The Company 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 recognized 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 recognized 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 Company 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 fair value through other comprehensive income. Interest on mortgage and other loans is credited to the statement of profit or loss.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL 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 derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognize the transferred asset to the extent of the Company's continuing involvement.

Financial liabilities at amortized cost

Financial liabilities including accounts payable, amounts due to affiliates and other monetary liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized 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 Company that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. 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 recognized in the statement of profit or loss. The net fair value gain or loss recognized 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 HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Company's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial guarantee contracts

A financial guarantee contract issued by the Company 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 recognized 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 Company measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the statement of profit or loss.

Income tax

Income tax comprises current tax and deferred tax. Income tax is recognized in the statement of profit or loss or in equity if it relates to items that are recognized 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 recognized 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, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, 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 recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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 Company 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 recognized 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized 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, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

*Lease liabilities*

Lease liabilities are recognized 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 Company and payments of penalties for termination of a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized 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 Company 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 Company 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 26 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 recognized, 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 recognized 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 Company'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 recognized as at the beginning and end of that period.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

*Share-based payment transactions (continued)*

No expense is recognized 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 recognized as if the terms had not been modified. In addition, an expense is recognized 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 recognized for the award is recognized 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 recognized in the statement of profit or loss.

The Company 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 Company 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 utilized 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 Company 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 Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Company's employer voluntary contributions, which are refunded to the Company 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, 2024

2.4 MATERIAL 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 recognized as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognized 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. The Company 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 Company 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 recognized 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.

Cash and bank balances

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits. Apart from restricted cash and bank balances in note 16(c), all the balances are not restricted as to use .

For the purpose of the statement of cash flows, cash and cash equivalents excluded deposits have a maturity over three months when acquired, reflecting 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 Company's cash management.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Segregated funds

Segregated fund assets and liabilities for investment contracts without discretionary participating features (“DPF”) are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at transaction price excluding any transaction costs directly attributable to the issue of the contracts. Subsequent to initial recognition, segregated fund assets and liabilities are measured at fair value through profit or loss.

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 recognized in the statement of profit or loss when earned.

Fair value adjustments are performed at the end of the reporting period and are recognized in the statement of profit or loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitized 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 unrealized gains on assets in the fund.

The liability is derecognized 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.

Insurance contract liabilities and reinsurance contract assets

**Scope and Classification**

Contracts issued by the Company are classified as insurance, investment, or service contracts at initial recognition. Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder. A contract is considered to have significant insurance risk if an insured event could cause an insurer to pay significant additional amounts in any single scenario with commercial substance. The additional amounts refer to the present value of amounts that exceed those that would be payable if no insured event had occurred.

Reinsurance contracts held are contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts to other parties, along with the associated premiums. The purpose of the reinsurance contracts held is to mitigate the significant insurance risk that the Company may have from the policies.

Both insurance and reinsurance contracts are accounted for in accordance with HKFRS 17. Contracts under which the Company does not accept significant insurance risk are either classified as investment contracts or considered as service contracts and are accounted for in accordance with HKFRS 9 “Financial Instruments” (“HKFRS 9”) or HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”), respectively.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Scope and Classification (continued)**

Insurance contracts are classified as direct participation contracts or contracts without direct participation features based on specific criteria. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. They are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service.

**Separation of components**

At inception of insurance and reinsurance contracts held, the Company analyses whether they contain the following components that should be separated and accounted for under other HKFRS standards:

- Derivatives embedded within insurance contracts which contains risks and characteristics that are not closely related to those of the host contract, unless the embedded derivative itself meets the definition of an insurance contract;
- Distinct investment components which represent cash flows paid (received) in all circumstances regardless of whether an insurance event has occurred or not. Investment components are distinct if they are not highly interrelated with insurance component cash flows and if they could be issued on a standalone basis; and
- Distinct service components which are promises to transfer goods or non-insurance services if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. The service components are distinct if they are not highly interrelated with the insurance components and the Company provides no significant service in integrating the service component with the insurance component.

The Company applies HKFRS 17 to all remaining components of the insurance and reinsurance contracts held.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Level of aggregation**

Insurance contracts are aggregated into portfolios of insurance contracts which are managed together and are subject to similar risks. The Company has defined portfolios by considering various factors such as measurement model, major product line and type of insurance risk. The portfolios of insurance contracts are further grouped by:

- Date of issue: the period cannot be longer than one year. Most of the Company's insurance contracts are aggregated into annual cohorts; and;
- Expected profitability at inception into one of three categories: onerous contracts, contracts with no significant risk of becoming onerous and other remaining contracts. Onerous contracts are those contracts that at initial inception, the Company expects to generate net outflow, without considering investment returns or the benefit of any reinsurance contracts held.

The Company establishes the groups at initial recognition and may add contracts to the groups after the end of a reporting period, however, the Company does not reassess the composition of the groups subsequently.

For reinsurance contracts held, the portfolios align with the direct insurance contract portfolios. Groups of reinsurance contracts typically comprise a single reinsurance contract, and similar to direct groups they do not contain contracts issued more than one year apart.

**Cash flows within the contract boundaries**

The Company includes in the measurement of a group of insurance contracts and reinsurance contracts held, all future cash flows within the boundary of the contracts in the group. Cash flows are within the boundary of an insurance contract (and a reinsurance contract held) if they arise from substantive rights and obligations that exist in which the Company can compel the policyholder to pay the premiums (or is compelled to pay amounts to a reinsurer) or has a substantive obligation to provide services to policyholder (or a substantive right to receive services from a reinsurer).

For insurance contracts, a substantive obligation to provide services ends when the Company has the practical ability to reassess the risks and as a result, can set price or level of benefits that fully reflects those risks.

For reinsurance contracts held, a substantive right to receive services ends when the reinsurer has the practical ability to reassess the risk transferred to it and can set a price or level of benefits that fully reflects those risks, or the reinsurer can terminate the coverage.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Measurement models**

There are three measurement models for insurance contracts:

Variable fee approach (“VFA”): The Company applies this approach to insurance contracts with direct participation features such as participating life insurance contracts, unit linked type contracts, and variable annuity contracts. The direct participating feature is identified at inception, where the Company has the obligation to pay the policyholder an amount equal to the fair value of the underlying items less a variable fee in exchange for investment services.

Premium allocation approach (“PAA”): The Company applies this simplified approach for certain insurance contracts and reinsurance contracts with duration of typically one year or less.

General measurement model (“GMM”): The Company applies this model to the remaining insurance contracts and reinsurance contracts not measured using the VFA or the PAA.

**Recognition of insurance contracts**

The Company recognizes groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts,
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date, and
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

**Insurance contracts measured under the GMM and VFA measurement model**

*Initial measurement*

The measurement of insurance contracts at initial recognition is the same for GMM or VFA. At initial recognition, the Company measures a group of insurance contracts as the total of: (a) fulfilment cash flows, and (b) a contractual service margin (“CSM”).

Fulfilment cash flows comprise estimates of future cash flows, adjusted to reflect the time value of money and financial risks and a risk adjustment for non-financial risk. In determining the fulfilment cash flows, the Company uses estimates and assumptions considering a range of scenarios which have commercial substance and give a fair representation of possible outcomes.

If fulfilment cash flows generate a total of net cash inflows at initial recognition, a CSM is set up to fully offset the fulfilment cash flows, and results in no impact on income at initial recognition. The CSM represents the unearned profit the Company will recognize as it provides services under the insurance contracts. However, if fulfilment cash flows generate a total of net cash outflows at initial recognition, a loss is recognized in income or expenses immediately and the group of contracts is considered to be onerous.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Insurance contracts measured under the GMM and VFA measurement model (continued)**

*Initial measurement (continued)*

For contracts with fulfilment cash flows in multiple foreign currencies the group of insurance contracts, including the contractual service margin, is considered to be denominated in a single currency. If a group of insurance contracts has cash flows in more than one currency, on initial recognition the company determines a single currency in which the multicurrency group of contract is denominated. The Company determine the single currency to be the currency of the predominant cash flows.

The unit of account for CSM or loss is on a group of contracts basis consistent with the level of aggregation specified above.

*Subsequent measurement of fulfilment cash flows*

The fulfilment cash flows at each reporting date are measured using the current estimates of expected cash flows and current discount rates. In the subsequent periods, the carrying amount of a group of insurance contracts at each reporting date is the sum of:

- The liability for remaining coverage (“LRC”), which comprises the fulfilment cash flows that relate to services to be provided in the future and any remaining CSM at that date; and
- The liability for incurred claims (“LIC”), which comprises the fulfilment cash flows for incurred claims and expenses that have not yet been paid.

For onerous contracts, the LRC is further divided into a loss component, which represents the remaining net outflow for the group of insurance contracts; and the LRC excluding the loss component, which represents the amount of liability with offsetting inflows.

Premiums received increases the LRC. Where a third-party administrator is involved in the collection and remittance of premiums, amounts receivable from the third-party are included in the measurement of insurance contract liabilities until actual cash is remitted to the Company.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Insurance contracts measured under the GMM and VFA measurement model (continued)**

*Subsequent measurement of the CSM under the GMM measurement model*

For contracts without direct participation features when applying the GMM measurement model, the carrying amount of the CSM at end of the reporting period is adjusted to reflect the following changes:

- (a) effect of new contracts added to the group;
- (b) interest accreted on the carrying amount of CSM, measured at the locked-in discount rate. The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period, and is determined using the bottom-up approach;
- (c) Changes in fulfilment cash flows that relate to future services such as:
  - Experience differences between actual and expected premiums and related cash flows at the beginning of the period measured at the locked in rate.
  - Non-financial changes in estimates of the present value of future cash flows measured at the locked in rate.
  - Changes in the risk adjustment for non-financial risk that relate to future service measured at the locked in rate.
  - Differences between actual and expected investment component that becomes payable in the period. The same applies to a policyholder loan that becomes repayable;
- (d) Effect of any currency exchange differences on the CSM;
- (e) CSM amortization, which is the recognition of unearned profit into insurance revenue for services provided in the period. The CSM is recognized into insurance revenue over the duration of the group of insurance contracts based on the respective coverage units as insurance services are provided. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. The Company allocates the CSM equally to each coverage units and recognize the amount allocated to coverage units provided and expected to be provided in each period.

When measuring the fulfilment cash flows, changes that relate to future services are measured using the current discount rate, however, the CSM is adjusted for these changes using the locked in rate at initial recognition. The application of the two different discount rates gives rise to a gain or loss that is recognized as part of insurance finance income or expense.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Insurance contracts measured under the GMM and VFA measurement model (continued)**

*Subsequent measurement of the CSM under the VFA measurement model*

For contracts with direct participation features applying the VFA measurement model, subsequent measurement of the CSM is similar to the GMM model with the following exceptions or modifications:

For changes in fulfillment cash flows that do not vary with the underlying items:

- Non-financial changes adjust the CSM at the current discount rate, there is no interest accretion on CSM at the locked in rate,
- Changes in the effect of time value of money and financial risks such as the effect of financial guarantees adjust the CSM, however, income or expenses would be impacted if the risk mitigation option is elected.

For changes in fulfillment cash flows that vary with the fair value of the underlying items:

- Changes in the shareholders' share adjust the CSM, however, income or expenses would be impacted if the risk mitigation option is elected,
- Changes in the policyholders' share are recognized in income or expenses or OCI.

The Company uses derivatives, non-derivative financial instruments measured at fair value through profit or loss, and reinsurance contracts to mitigate the financial risk arising from direct participation contracts applying the VFA measurement model. The Company may elect the risk mitigation option to recognize some or all changes of financial guarantees and shareholders' share of the underlying items in income or expenses instead of adjusting CSM.

Groups of GMM or VFA insurance contracts with a CSM at initial recognition can subsequently become onerous when increases in fulfilment cash flows that do not vary with the underlying items or declines in the shareholder's share of the underlying items exceed the carrying amount of the CSM. The excess establishes a loss which is recognized in income or expenses immediately, and the LRC is then divided into the loss component and the LRC excluding the loss component.

*Subsequent measurement of the loss component*

The loss component represents the net outflow attributable to each group of onerous insurance contracts (or contracts profitable at inception that have subsequently become onerous), any subsequent decrease relating to future service in estimates of future cash flows and risk adjustment for non-financial risk or any subsequent increase the shareholders' share of the fair value of underlying items will reverse the loss component. Any remaining loss component will be reversed systematically as actual cash flows are incurred.

When actual cash flows are incurred, the LIC is recognized and the LRC is derecognized accordingly. The Company uses the proportion on initial recognition to determine the systematic allocation of LRC release between the loss component and the LRC excluding the loss component, resulting in both components being equal to zero by the end of the coverage period.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Insurance contracts measured under the PAA measurement**

The Company applies the PAA to all insurance contracts it issues if the coverage period of the contract is one year or less; or the coverage period is longer than one year and the measurement of the LRC for the contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM approach under possible future scenarios.

The LRC is initially measured as the premium received at initial recognition minus any insurance acquisition cash flows at that date. There is generally no allowance for time value of money as the premiums are mostly received within one year of the coverage period.

For acquisition cash flows allocated to recognized groups of contracts applying the PAA, the Company is permitted to defer and amortize the amount over the coverage period or recognize the amount as an expense as incurred provided that the coverage period of the contracts in the group is no more than one year. This election can be made at the level of each group of insurance contracts. For the majority of the Company's insurance contracts applying the PAA, the Company has elected to defer directly attributable acquisition costs and recognize in net income over the coverage period in a systematic way on the basis of passage of time.

In these lines of business, directly attributable insurance acquisition cash flows paid are to acquire the current contract with an expectation of a number of renewals over future years. As such, directly attributable insurance acquisition cash flows are allocated to the group in which the current contract belongs to as well as to future groups that will include expected renewals applying a systematic methodology. If facts and circumstances indicate that there are onerous group of contracts at initial measurement, a loss is immediately recognized in the income or expenses for the net outflow and a loss component of the LRC is created for the group.

*Subsequent Measurement*

Subsequently, the Company measures the carrying amount of the LRC at the end of each reporting period as:

- The LRC at beginning of the period; plus
- Premium received in the period; minus
- Directly attributable acquisition costs net of related amortization (unless expensed as incurred); minus
- Amount recognized as insurance revenue for the period; minus
- Investment component paid or transferred to the LIC.

The amount recognized as insurance revenue for the period is typically based on the passage of time.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, the Company will recognize a loss in income or expenses and an increase in the LRC to the extent that the current estimate of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Insurance contracts measured under the PAA measurement (continued)**

*Subsequent Measurement (continued)*

The Company estimates the LIC as the fulfilment cash flows related to incurred claims. The Company does not adjust the future cash flows for the time value of money, except when claims are expected to settle more than one year after the actual claim occurs.

**Assets for acquisition cash flows**

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows paid or incurred before the recognition of the related group of contracts are recognized as an asset within the portfolio of insurance contract liabilities in which the group of contracts is expected to be included. The Company applies a systematic basis to allocate these costs which includes:

- Insurance acquisition cash flows directly attributable to a group of contracts that will include future expected renewals of in-force contracts; and
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts, which will include future new business.

When facts and circumstances indicate the assets for insurance acquisition cash flows maybe impaired, the Company conducts impairment tests. If the asset is impaired, an impairment loss will be recognized in income or expenses, which can be subsequently reversed when the impairment condition no longer exists.

**Recognition of reinsurance contracts held**

The Company recognizes a group of reinsurance contracts held from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- The date the Company recognizes an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Reinsurance contracts held measured under the GMM model**

*Initial measurement*

The measurement of reinsurance contracts held follows the same principles as the GMM for insurance contracts issued, with the following exceptions or modifications specified in this section below. Reinsurance contracts held and assumed cannot use the VFA measurement model.

At initial recognition, the Company recognizes any net gain or net cost as a CSM in the statement of financial position, with some exceptions. If any net cost of obtaining reinsurance contracts held relates to insured events that occurred before initial recognition of any insurance contracts, it is recognized immediately in income or expenses. In addition, if the underlying insurance contracts is in an onerous position, the Company is required to recognize a reinsurance gain immediately in income for the portion of claims that the Company expects to recover from the reinsurance, if the reinsurance contract held was entered into prior to or at the same time as the onerous contract.

For contracts with fulfilment cash flows in multiple foreign currencies, the group is denominated in a single currency as defined by the predominant cash flow.

Measurement of reinsurance contract cash flows is consistent with the underlying insurance contracts, but with an adjustment for any risk of non-performance by the reinsurer. The risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

*Subsequent measurement*

Subsequently, the carrying amount of a group of reinsurance contracts held at each reporting date is the sum of:

- The asset for remaining coverage (“ARC”), which comprises the fulfilment cash flows that relate to services to be received under the contracts in future periods, and any remaining CSM at that date; and
- The asset for incurred claims (“AIC”), which comprises the fulfilment cash flows for incurred claims and expenses that have not yet been received.

If the underlying insurance contracts are onerous at inception and a reinsurance gain is recognized in income as described above, the asset for remaining coverage is made up of a loss-recovery component and the ARC excluding the loss-recovery component. The loss-recovery component reflects changes in the loss component of the underlying onerous insurance contracts, and determines the amounts that are subsequently presented in income or expenses as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Reinsurance contracts held measured under the GMM model (continued)**

*Subsequent measurement (continued)*

The Company adjusts the carrying amount of the CSM of a group of reinsurance contracts held to reflect changes in the fulfilment cash flows applying the same approach as for insurance contracts issued, except:

- Income recognized to cover the losses from onerous underlying contracts also adjusts the carrying amount of CSM;
- Reversal of the loss-recovery component, to the extent that those reversals are not changes in fulfilment cash flows of the group of reinsurance contract held, also adjusts the carrying amount of CSM; and
- Changes in fulfilment cash flows related to future services also adjusts the carrying amount of CSM provided that changes in fulfilment cash flows related to the group of underlying insurance contracts adjust the CSM.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the reinsurance gain that has been recognized adjusts the loss-recovery component of the reinsurance asset for remaining coverage. The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts. On this basis, the loss-recovery component is reduced to zero when the loss component of underlying insurance contracts is reduced to zero.

**Reinsurance contracts held measured under the PAA model**

Reinsurance contracts held may be classified and measured under the PAA model if they meet the eligibility requirements, which are similar to the PAA requirements for direct insurance contracts.

For reinsurance contracts held applying the PAA model, the Company measures them on the same basis as insurance contracts that it issues, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

If a loss-recovery is created for a group of reinsurance contracts measured under the PAA, the Company adjusts the carrying amount of the ARC as there is no CSM to adjust under PAA.

**Derecognition of insurance contracts**

The Company derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled; or expired) or the contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Presentation and Disclosure**

The Company has presented the carrying amount of portfolios of insurance contracts that are in a net asset or liability position, and portfolios of reinsurance contracts that are in a net asset or liability position separately in the Statements of financial position.

The Company separately presents the insurance service result, which comprises of insurance revenue and insurance service expenses, from the investment result, which comprises of insurance finance income or expenses in the Statements of profit or loss. HKFRS 17 provides an option to disaggregate the changes in risk adjustment between insurance service results and insurance finance income. The Company disaggregates the change in risk adjustment for non-financial risk between the insurance service expenses and insurance finance income or expenses.

*Net insurance service result*

The insurance revenue depicts the performance of insurance services and excludes investment components.

For the GMM and the VFA contracts, the insurance revenue represents the change in the LRC relating to insurance services for which the Company expects to receive consideration. This insurance revenue comprises :

- (a) expected claims and other insurance expenses including policyholder taxes where applicable;
- (b) changes in risk adjustment for non-financial risk;
- (c) release of CSM based on coverage units; and
- (d) portion of premiums that relate to recovering of insurance acquisition cash flows.

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing insurance services in the period.

The insurance service expenses arising from insurance contracts are recognized in income or expenses generally as they are incurred and excludes repayment of investment components. The insurance service expenses comprise of:

- (a) incurred claims and other insurance service expenses;
- (b) losses on onerous contracts and reversal of such losses;
- (c) adjustments to LIC;
- (d) amortization of insurance acquisition cash flows; and
- (e) impairment losses on assets for insurance acquisition cash flows, if any, and reversals of such impairment losses.

The amortization of insurance acquisition cash flows within insurance service expense is equal to the recovery of insurance acquisition cash flows in insurance revenue for contracts measured under the GMM and VFA. For contracts measured under the PAA with deferred acquisition cash flows, the Company amortizes insurance acquisition cash flows over the duration of the group of insurance contracts based on the respective coverage units.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Presentation and Disclosure (continued)**

*Net insurance service result (continued)*

Net expenses from reinsurance contracts held comprise of allocation of reinsurance premiums paid and the amounts expected to be recovered from reinsurers. Reinsurance cash flows that are contingent on claims on the underlying contracts are treated as part of the claims expected to be recovered from reinsurers, whereas reinsurance cash flows that are not contingent on claims on the underlying contracts (for example, some types of ceding commissions) are treated as a reduction in reinsurance premiums paid. For reinsurance contracts measured under the GMM, the allocation of reinsurance premiums paid represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration. For reinsurance contracts measured under the PAA, the allocation of reinsurance premiums paid is the amount of expected premium payments for receiving services in the period.

*Insurance finance income or expenses*

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from: (a) the effect of the time value of money and changes in the time value of money; and (b) the effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses on insurance contracts issued for most of its groups of insurance contracts between income or expenses and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimize accounting mismatches between the accounting for insurance assets and liabilities and the supporting financial assets. The impacts from differences between current period rates and locked-in rates are presented in OCI.

The Company's financial assets which are debt instruments (including bonds and mortgages) are predominantly measured at FVOCI. As a result, the effect of the time value of money for the groups of insurance contracts and supporting fixed maturity assets is reflected in income or expenses and the effect of financial risk and changes in financial risk is reflected in OCI.

The systematic allocation of expected total insurance finance income or expenses depends on whether changes in assumptions that relate to financial risk have a substantial effect on the expected amounts paid to the policyholders.

- For groups of insurance contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders, the Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to income or expenses using discount rates determined on initial recognition of the group of contracts.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

**Presentation and Disclosure (continued)**

*Insurance finance income or expenses (continued)*

- For groups of insurance contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders, the Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to income or expenses using either a constant rate, or an allocation that is based on the amounts credited in the period and expected to be credited in future periods for fulfillment cash flows. The CSM accretion rate would use the discount rates determined on initial recognition of the group of contracts for contractual service margin.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies any amounts that were previously recognized in OCI to income or expenses as insurance finance income or expense. There are no changes in the basis of disaggregation of insurance finance income or expenses between income or expenses and OCI in the period.

*Investment contract liabilities*

Investment contract liabilities include contracts issued to investors that do not contain significant insurance risk. Investment contract liabilities and deposits are measured at amortized cost or at FVTPL by election. The election is made when these liabilities as well as the related assets are managed, and their performance is evaluated, on a fair value basis or when doing so reduces the accounting mismatches between assets supporting these contracts and the related policy liabilities. Investment contract liabilities are derecognized when the contract expires, is discharged or is cancelled.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of intangible assets

The Company 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.

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 investment contracts*

Unitized 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-unitized 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 capitalize 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 Jones Lang Lasalle, an independent professionally qualified valuer.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

4 INTANGIBLE ASSETS

|                                                       | Customer<br>base and<br>distribution<br>network<br>HK\$'000 |
|-------------------------------------------------------|-------------------------------------------------------------|
| At December 31, 2023 and at January 1, 2024           |                                                             |
| Cost                                                  | 827,487                                                     |
| Accumulated amortization                              | (297,366)                                                   |
| Accumulated impairment                                | (29,460)                                                    |
| Net carrying amount                                   | <u>500,661</u>                                              |
| At January 1, 2024, net of accumulated amortization   | 500,661                                                     |
| Amortization provided during the year                 | (30,475)                                                    |
| At December 31, 2024, net of accumulated amortization | <u>470,186</u>                                              |
| At December 31, 2024                                  |                                                             |
| Cost                                                  | 827,487                                                     |
| Accumulated amortization                              | (327,841)                                                   |
| Accumulated impairment                                | (29,460)                                                    |
| Net carrying amount                                   | <u>470,186</u>                                              |
|                                                       | HK\$'000                                                    |
| At December 31, 2022 and at January 1, 2023           |                                                             |
| Cost                                                  | 839,375                                                     |
| Accumulated amortization                              | (267,058)                                                   |
| Accumulated impairment                                | (29,460)                                                    |
| Net carrying amount                                   | <u>542,857</u>                                              |
| At January 1, 2023, net of accumulated amortization   | 542,857                                                     |
| Amortization provided during the year                 | (30,308)                                                    |
| Intangible asset impairment                           | (11,888)                                                    |
| At December 31, 2023 net of accumulated amortization  | <u>500,661</u>                                              |
| At December 31, 2023                                  |                                                             |
| Cost                                                  | 827,487                                                     |
| Accumulated amortization                              | (297,366)                                                   |
| Accumulated impairment                                | (29,460)                                                    |
| Net carrying amount                                   | <u>500,661</u>                                              |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

5 FIXED ASSETS

|                                                          | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Computer<br>equipment<br>HK\$'000 | Automobiles<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------------------------------|-----------------------------------------------------|-----------------------------------|-------------------------|-------------------|
| At December 31, 2023 and<br>at January 1, 2024:          |                                                     |                                   |                         |                   |
| Cost                                                     | 911,385                                             | 749,700                           | 4,000                   | 1,665,085         |
| Accumulated depreciation                                 | (632,322)                                           | (466,860)                         | (3,419)                 | (1,102,601)       |
| Net carrying amount                                      | <u>279,063</u>                                      | <u>282,840</u>                    | <u>581</u>              | <u>562,484</u>    |
| At January 1, 2024, net of<br>accumulated depreciation   | 279,063                                             | 282,840                           | 581                     | 562,484           |
| Additions                                                | 11,697                                              | 265,580                           | —                       | 277,277           |
| Depreciation provided during the year                    | (80,984)                                            | (140,939)                         | (194)                   | (222,117)         |
| At December 31, 2024, net of<br>accumulated depreciation | <u>209,776</u>                                      | <u>407,481</u>                    | <u>387</u>              | <u>617,644</u>    |
| At December 31, 2024                                     |                                                     |                                   |                         |                   |
| Cost                                                     | 923,082                                             | 1,015,281                         | 4,000                   | 1,942,363         |
| Accumulated depreciation                                 | (713,306)                                           | (607,800)                         | (3,613)                 | (1,324,719)       |
| Net carrying amount                                      | <u>209,776</u>                                      | <u>407,481</u>                    | <u>387</u>              | <u>617,644</u>    |
|                                                          | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Computer<br>equipment<br>HK\$'000 | Automobiles<br>HK\$'000 | Total<br>HK\$'000 |
| At December 31, 2022 and<br>at January 1, 2023:          |                                                     |                                   |                         |                   |
| 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>    |
| At January 1, 2023, net of<br>accumulated depreciation   | 299,093                                             | 228,131                           | 775                     | 527,999           |
| Additions                                                | 58,376                                              | 149,708                           | —                       | 208,084           |
| Depreciation provided during the year                    | (78,406)                                            | (94,999)                          | (194)                   | (173,599)         |
| At December 31, 2023, net of<br>accumulated depreciation | <u>279,063</u>                                      | <u>282,840</u>                    | <u>581</u>              | <u>562,484</u>    |
| At December 31, 2023                                     |                                                     |                                   |                         |                   |
| Cost                                                     | 911,385                                             | 749,700                           | 4,000                   | 1,665,085         |
| Accumulated depreciation                                 | (632,322)                                           | (466,860)                         | (3,419)                 | (1,102,601)       |
| Net carrying amount                                      | <u>279,063</u>                                      | <u>282,840</u>                    | <u>581</u>              | <u>562,484</u>    |

MANULIFE (INTERNATIONAL) LIMITED

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6 INTERESTS IN SUBSIDIARIES

|                          | 2024<br>HK\$'000 | 2023<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Insurer:                 |                  |                  |
| Unlisted shares, at cost | 869,899          | 869,899          |
| Due from a subsidiary    | 1,116            | 1,116            |
| Non-insurer:             |                  |                  |
| Unlisted shares, at cost | 200,756          | 200,756          |
|                          | 1,071,771        | 1,071,771        |
| Impairment               | (289,850)        | (289,850)        |
|                          | 781,921          | 781,921          |

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:

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

| <u>Name of unit trusts</u>                     | <u>Place of<br/>incorporation/<br/>registration</u> | <u>Percentage of<br/>shares held</u> | <u>Number of<br/>units held<br/>indirectly</u> | <u>Number of<br/>units in issue</u> | <u>Principal<br/>activities</u> |
|------------------------------------------------|-----------------------------------------------------|--------------------------------------|------------------------------------------------|-------------------------------------|---------------------------------|
| Manulife Hong Kong<br>Short Term Bond Fund     | Hong Kong                                           | 95 %                                 | 1,207,465,793                                  | 1,269,741,418                       | Investment<br>trading           |
| Manulife Hong Kong<br>Medium Term Bond<br>Fund | Hong Kong                                           | 82 %                                 | 1,022,266,751                                  | 1,254,147,398                       | Investment<br>trading           |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

7 INVESTMENT PROPERTY

Reconciliation of fair value movements within level 3 financial investments:

|                                     | 2024             | 2023             |
|-------------------------------------|------------------|------------------|
|                                     | HK\$'000         | HK\$'000         |
| Carrying amount at January 1        | 6,370,000        | 6,620,000        |
| Net loss from fair value adjustment | (126,000)        | (250,000)        |
| Carrying amount at December 31      | <u>6,244,000</u> | <u>6,370,000</u> |

The Company's investment property represents one commercial property in Hong Kong. The Company's investment property was revalued on December 31, 2024 with reference to the valuation performed by Jones Lang Lasalle, an independent professionally qualified valuer, at HK\$6,244 million. The valuer has adopted both income approach and market approach in the valuation of the investment property. When third-party service providers are engaged, the Company performs a variety of procedures to corroborate pricing information. The fair value of the investment property was categorized as Level 3 of the fair value hierarchy as at December 31, 2024. During the year 2024, 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 capitalization approach included estimated gross passing income and the capitalization rate, by making reference to market rental of neighborhood. In undertaking the discounted cash flow analysis, a wider range of assumptions have to be made including a target or pre-selected internal rate of return, revenue growth, outgoings and its disposal at the end of the investment period.

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

8 GOODWILL

|                                                                 | HKD'000          |
|-----------------------------------------------------------------|------------------|
| At December 31, 2023, at January 1, 2024 and December 31 2024:  |                  |
| Cost and Net carrying amount                                    | <u>1,122,666</u> |
| At December 31, 2022, at January 1, 2023 and December 31, 2023: |                  |
| Cost and Net carrying amount                                    | <u>1,122,666</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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9 MORTGAGE AND OTHER LOANS

Mortgage are carried at fair value through other comprehensive income. The fair value of the mortgage loans as at December 31, 2024 was HK\$1,786 million (2023: HK\$1,796 million) based on the present value of the estimated future cash flows discounted using the prevailing market rate at the reporting date.

10 ACCRUED INVESTMENT INCOME

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

11 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\$722 million) to the intermediate holding company which is repayable by year 2025. The intermediate holding company settled HK\$160 million in June 2024 (June 2023: HK\$156 million). Both loans are charged at market interest rate. The carrying amount of the loan balances approximate to their fair value.

12 DEFERRED TAXATION

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

|                                                                                           | Fixed<br>assets | Financial<br>Instruments | Insurance<br>and<br>investment<br>contracts | Unused<br>tax loss | Total    |
|-------------------------------------------------------------------------------------------|-----------------|--------------------------|---------------------------------------------|--------------------|----------|
|                                                                                           | HK\$'000        | HK\$'000                 | HK\$'000                                    | HK\$'000           | HK\$'000 |
| As at January 1, 2023                                                                     | 147             | 11,431                   | 127,401                                     | —                  | 138,979  |
| Deferred tax (charged)/ credited to<br>the statement of profit or loss<br>during the year | (24)            | (5,685)                  | 16,291                                      | —                  | 10,582   |
| As at December 31, 2023                                                                   | 123             | 5,746                    | 143,692                                     | —                  | 149,561  |
| Deferred tax (charged)/ credited to<br>the statement of profit or loss<br>during the year | (24)            | 99,235                   | (4,865)                                     | 129,570            | 223,916  |
| As at December 31, 2024                                                                   | 99              | 104,981                  | 138,827                                     | 129,570            | 373,477  |

MANULIFE (INTERNATIONAL) LIMITED

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13 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.

14 INVESTMENT SECURITIES

Carrying values and fair values of financial assets:

|                                         | FVTPL<br>HK\$'000  | FVOCI<br>HK\$'000  | 2024<br>Total<br>carrying<br>values and<br>fair values<br>HK\$'000 |
|-----------------------------------------|--------------------|--------------------|--------------------------------------------------------------------|
| Listed debt securities<br>at fair value |                    |                    |                                                                    |
| - Hong Kong                             | 117,209            | 9,194,501          | 9,311,710                                                          |
| - outside Hong Kong                     | 110,186            | 154,005,592        | 154,115,778                                                        |
|                                         | <u>227,395</u>     | <u>163,200,093</u> | <u>163,427,488</u>                                                 |
| Listed stocks at fair value             |                    |                    |                                                                    |
| - Hong Kong                             | 2,076,175          | —                  | 2,076,175                                                          |
| - outside Hong Kong                     | 52,930,205         | —                  | 52,930,205                                                         |
|                                         | <u>55,006,380</u>  | <u>—</u>           | <u>55,006,380</u>                                                  |
| Other investments<br>at fair value      |                    |                    |                                                                    |
| - unlisted debt securities              | —                  | 15,701,615         | 15,701,615                                                         |
| - unit-linked funds                     | 1,853,752          | —                  | 1,853,752                                                          |
| - private equities                      | 68,748,864         | —                  | 68,748,864                                                         |
|                                         | <u>70,602,616</u>  | <u>15,701,615</u>  | <u>86,304,231</u>                                                  |
|                                         | <u>125,836,391</u> | <u>178,901,708</u> | <u>304,738,099</u>                                                 |

MANULIFE (INTERNATIONAL) LIMITED

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14 INVESTMENT SECURITIES (continued)

Carrying values and fair values of financial assets (continued)

|                                 | FVTPL<br>HK\$'000 | FVOCI<br>HK\$'000  | 2023<br>Total<br>carrying<br>values and<br>fair values<br>HK\$'000 |
|---------------------------------|-------------------|--------------------|--------------------------------------------------------------------|
| Listed debt securities at fair  |                   |                    |                                                                    |
| - Hong Kong                     | 135,322           | 10,901,536         | 11,036,858                                                         |
| - outside Hong Kong             | 7,588,738         | 148,769,023        | 156,357,761                                                        |
|                                 | <u>7,724,060</u>  | <u>159,670,559</u> | <u>167,394,619</u>                                                 |
| Listed stocks at fair value     |                   |                    |                                                                    |
| - Hong Kong                     | 4,694,829         | —                  | 4,694,829                                                          |
| - outside Hong Kong             | 31,321,918        | —                  | 31,321,918                                                         |
|                                 | <u>36,016,747</u> | <u>—</u>           | <u>36,016,747</u>                                                  |
| Other investments at fair value |                   |                    |                                                                    |
| - unlisted debt securities      | —                 | 14,532,889         | 14,532,889                                                         |
| - unit-linked funds             | 1,663,597         | —                  | 1,663,597                                                          |
| - private equities              | 54,088,024        | —                  | 54,088,024                                                         |
|                                 | <u>55,751,621</u> | <u>14,532,889</u>  | <u>70,284,510</u>                                                  |
|                                 | <u>99,492,428</u> | <u>174,203,448</u> | <u>273,695,876</u>                                                 |

Please refer to note 33 for the fair value hierarchy of these financial assets.

MANULIFE (INTERNATIONAL) LIMITED

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15 DERIVATIVE FINANCIAL INSTRUMENTS

|                            | Notional<br>amount<br>HK\$'000 | 2024<br>Assets<br>HK\$'000 | Liabilities<br>HK\$'000 |
|----------------------------|--------------------------------|----------------------------|-------------------------|
| Forward currency contracts | 76,653,196                     | 4,468,212                  | 201,551                 |
| Interest rate swap         | 31,192,274                     | 527,656                    | 3,385,123               |
| Futures contracts          | 127,525,847                    | 1,304,361                  | 5,537,514               |
| Equity swaps               | 134,447                        | 2,575                      | —                       |
|                            | <u>235,505,764</u>             | <u>6,302,804</u>           | <u>9,124,188</u>        |

|                            | Notional<br>amount<br>HK\$'000 | 2023<br>Assets<br>HK\$'000 | Liabilities<br>HK\$'000 |
|----------------------------|--------------------------------|----------------------------|-------------------------|
| Forward currency contracts | 71,812,612                     | 3,152,572                  | 582,254                 |
| Interest rate swap         | 18,628,848                     | 103,380                    | 3,084,731               |
| Futures contracts          | 83,536,517                     | 2,173,463                  | 2,143,941               |
| Equity swaps               | 88,177                         | 1,005                      | —                       |
|                            | <u>174,066,154</u>             | <u>5,430,420</u>           | <u>5,810,926</u>        |

The Company 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 33 for the fair value hierarchy of these financial instruments.

MANULIFE (INTERNATIONAL) LIMITED

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16 CASH AND BANK BALANCES

(a) Cash and bank balances are analyzed as follows:

|                                            | 2024<br>HK\$'000 | 2023<br>HK\$'000 |
|--------------------------------------------|------------------|------------------|
| Call deposits                              |                  |                  |
| with original maturity within three months | 427,769          | 661,746          |
| with original maturity over three months   | 97,088           | 97,087           |
| Current accounts                           | 4,283,204        | 7,364,865        |
| Cash on hand                               | 35               | 35               |
|                                            | <u>4,808,096</u> | <u>8,123,733</u> |

(b) Maturity profile of the call deposits

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

(c) Restricted cash and bank balances

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 Company amounting to HK\$525 million (2023: HK\$525 million) were held at a branch of the Company and could not be freely remitted to the Company.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

(a) Composition

Portfolio of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the Statements of Financial Position. The components of net insurance and reinsurance contract liabilities are shown below. The composition of insurance contract asset and liabilities, and reinsurance contract held assets and liabilities is as follows.

Insurance contract asset and liabilities

| 2024                                           |                                 |                                      |                                                                                      |                                          |
|------------------------------------------------|---------------------------------|--------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------|
|                                                | Insurance<br>contract<br>assets | Insurance<br>contract<br>liabilities | Insurance<br>contract<br>liabilities for<br>account of<br>segregated<br>fund holders | Net insurance<br>contract<br>liabilities |
|                                                | HK\$'000                        | HK\$'000                             | HK\$'000                                                                             | HK\$'000                                 |
| Insurance contract balances                    | (5,449)                         | 269,728,273                          | 49,791,723                                                                           | 319,514,547                              |
| Assets for insurance<br>acquisition cash flows | (56,988)                        | (1,182,258)                          | —                                                                                    | (1,239,246)                              |
| Total                                          | <u>(62,437)</u>                 | <u>268,546,015</u>                   | <u>49,791,723</u>                                                                    | <u>318,275,301</u>                       |
| 2023                                           |                                 |                                      |                                                                                      |                                          |
|                                                | Insurance<br>contract<br>assets | Insurance<br>contract<br>liabilities | Insurance<br>contract<br>liabilities for<br>account of<br>segregated<br>fund holders | Net insurance<br>contract<br>liabilities |
|                                                | HK\$'000                        | HK\$'000                             | HK\$'000                                                                             | HK\$'000                                 |
| Insurance contract balances                    | (9,406)                         | 252,013,678                          | 49,400,607                                                                           | 301,404,879                              |
| Assets for insurance<br>acquisition cash flows | —                               | (1,308,227)                          | —                                                                                    | (1,308,227)                              |
| Total                                          | <u>(9,406)</u>                  | <u>250,705,451</u>                   | <u>49,400,607</u>                                                                    | <u>300,096,652</u>                       |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(a) Composition (continued)

Reinsurance contract held assets and liabilities

|                                      | 2024             | 2023             |
|--------------------------------------|------------------|------------------|
|                                      | HK\$'000         | HK\$'000         |
| Assets                               | 5,119,822        | 5,289,293        |
| Liabilities                          | (269,392)        | (742,756)        |
| Net reinsurance contract held assets | <u>4,850,430</u> | <u>4,546,537</u> |

|                                                         | 2024               | 2023               |
|---------------------------------------------------------|--------------------|--------------------|
|                                                         | HK\$'000           | HK\$'000           |
| Net insurance contract held liabilities                 | 318,275,301        | 300,096,652        |
| Net reinsurance contract held assets                    | <u>(4,850,430)</u> | <u>(4,546,537)</u> |
| Net insurance and reinsurance contract held liabilities | <u>313,424,871</u> | <u>295,550,115</u> |

(b) Movements in carrying amounts of insurance and reinsurance contracts

The following tables present the movement in the net carrying amounts of insurance contracts issued and reinsurance contracts held during the year for the Company and for each reporting segment. The changes include amounts that are recognized in income and OCI, and movements due to cash flows.

There are two types of tables presented:

- Tables which analyze movements in the net assets or liabilities for remaining coverage and for incurred claims separately and reconcile them to the relevant Statements of profit or loss and Statements of comprehensive income line items.
- Tables which analyze movements of contracts by measurement components including estimates of the present value of future cash flows, risk adjustment and CSM for portfolios.

*Insurance contracts – Analysis by remaining coverage and incurred claims*

The following tables present the movement in the net assets or liabilities for insurance contracts issued, showing the amounts for remaining coverage and the amounts for incurred claims for the years ended December 31, 2024 and December 31, 2023.

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Insurance contracts – Analysis by remaining coverage and incurred claims (continued)*

| HK\$'000                                                                                     | Liabilities for remaining coverage |                  | Liabilities for incurred claims |                                          |                                            |                    | Assets for insurance acquisition cash flows | Total              |
|----------------------------------------------------------------------------------------------|------------------------------------|------------------|---------------------------------|------------------------------------------|--------------------------------------------|--------------------|---------------------------------------------|--------------------|
|                                                                                              | Excluding loss component           | Loss component   | Products not under PAA          | PAA Estimates of PV of future cash flows | PAA Risk adjustment for non-financial risk |                    |                                             |                    |
| Opening insurance contract assets                                                            | 9,962                              | —                | —                               | (19,368)                                 | —                                          | —                  | —                                           | (9,406)            |
| Opening insurance contract liabilities                                                       | 249,519,452                        | 290,627          | 1,737,738                       | 437,741                                  | 28,120                                     | (1,308,227)        | —                                           | 250,705,451        |
| Opening insurance contract liabilities for account of segregated fund holders                | 49,400,607                         | —                | —                               | —                                        | —                                          | —                  | —                                           | 49,400,607         |
| Net opening balance, January 1, 2024                                                         | 298,930,021                        | 290,627          | 1,737,738                       | 418,373                                  | 28,120                                     | (1,308,227)        | —                                           | 300,096,652        |
| <b>Insurance revenue</b>                                                                     |                                    |                  |                                 |                                          |                                            |                    |                                             |                    |
| Expected incurred claims and other insurance service result                                  | (538,928)                          | —                | —                               | —                                        | —                                          | —                  | —                                           | (538,928)          |
| Change in risk adjustment for non-financial risk expired                                     | (828,096)                          | —                | —                               | —                                        | —                                          | —                  | —                                           | (828,096)          |
| CSM recognized for services provided                                                         | (4,794,080)                        | —                | —                               | —                                        | —                                          | —                  | —                                           | (4,794,080)        |
| Recovery of insurance acquisition cash flows                                                 | (1,244,343)                        | —                | —                               | —                                        | —                                          | —                  | —                                           | (1,244,343)        |
| Contracts under PAA                                                                          | (4,795,692)                        | —                | —                               | —                                        | —                                          | —                  | —                                           | (4,795,692)        |
|                                                                                              | (12,201,139)                       | —                | —                               | —                                        | —                                          | —                  | —                                           | (12,201,139)       |
| <b>Insurance service expense</b>                                                             |                                    |                  |                                 |                                          |                                            |                    |                                             |                    |
| Incurred claims and other insurance service expenses                                         | —                                  | (34,250)         | 182,542                         | 3,641,323                                | —                                          | —                  | —                                           | 3,789,615          |
| Losses and reversal of losses on onerous contracts (future service)                          | —                                  | (169,587)        | —                               | —                                        | —                                          | —                  | —                                           | (169,587)          |
| Changes to liabilities for incurred claims (past service)                                    | —                                  | —                | —                               | —                                        | —                                          | —                  | —                                           | —                  |
| Amortization of insurance acquisition cash flows                                             | 2,043,999                          | —                | —                               | —                                        | —                                          | —                  | —                                           | 2,043,999          |
| Net impairment of assets for insurance acquisition cash flows                                | —                                  | —                | —                               | —                                        | —                                          | —                  | —                                           | —                  |
|                                                                                              | 2,043,999                          | (203,837)        | 182,542                         | 3,641,323                                | —                                          | —                  | —                                           | 5,664,027          |
| <b>Investment components and premium refunds</b>                                             | <b>(13,156,425)</b>                | <b>—</b>         | <b>13,156,425</b>               | <b>—</b>                                 | <b>—</b>                                   | <b>—</b>           | <b>—</b>                                    | <b>—</b>           |
| <b>Insurance service result</b>                                                              | <b>(23,313,565)</b>                | <b>(203,837)</b> | <b>13,338,967</b>               | <b>3,641,323</b>                         | <b>—</b>                                   | <b>—</b>           | <b>—</b>                                    | <b>(6,537,112)</b> |
| Insurance finance (income) expense                                                           | 7,073,683                          | 1,615            | 898,518                         | 665                                      | (4,211)                                    | —                  | —                                           | 7,970,270          |
| Effects of movements in foreign exchange rates                                               | (913,900)                          | (810)            | (4,547)                         | (98)                                     | (126)                                      | 512                | —                                           | (918,969)          |
| <b>Total changes in income and OCI</b>                                                       | <b>(17,153,782)</b>                | <b>(203,032)</b> | <b>14,232,938</b>               | <b>3,641,890</b>                         | <b>(4,337)</b>                             | <b>512</b>         | <b>—</b>                                    | <b>514,189</b>     |
| <b>Cash flows</b>                                                                            |                                    |                  |                                 |                                          |                                            |                    |                                             |                    |
| Premiums and premium tax received                                                            | 47,215,241                         | —                | —                               | —                                        | —                                          | —                  | —                                           | 47,215,241         |
| Claims and other insurance service expenses paid, including investment components            | —                                  | —                | (14,073,973)                    | (3,678,087)                              | —                                          | —                  | —                                           | (17,752,060)       |
| Insurance acquisition cash flows                                                             | (11,962,637)                       | —                | —                               | —                                        | —                                          | —                  | —                                           | (11,962,637)       |
| <b>Total cash flows</b>                                                                      | <b>35,252,604</b>                  | <b>—</b>         | <b>(14,073,973)</b>             | <b>(3,678,087)</b>                       | <b>—</b>                                   | <b>—</b>           | <b>—</b>                                    | <b>17,500,544</b>  |
| Allocation from assets for insurance acquisition cash flows to groups of insurance contracts | (295,669)                          | —                | —                               | —                                        | —                                          | 295,668            | —                                           | (1)                |
| Acquisition cash flows incurred in the year                                                  | —                                  | —                | —                               | —                                        | —                                          | (227,199)          | —                                           | (227,199)          |
| Movements related to insurance contract liabilities for account of segregated fund holders   | 391,116                            | —                | —                               | —                                        | —                                          | —                  | —                                           | 391,116            |
| <b>Net closing balance</b>                                                                   | <b>317,124,290</b>                 | <b>87,595</b>    | <b>1,896,703</b>                | <b>382,176</b>                           | <b>23,783</b>                              | <b>(1,239,246)</b> | <b>—</b>                                    | <b>318,275,301</b> |
| Closing insurance contract assets                                                            | 40,486                             | —                | —                               | (45,935)                                 | —                                          | (56,988)           | —                                           | (62,437)           |
| Closing insurance contract liabilities                                                       | 267,292,081                        | 87,595           | 1,896,703                       | 428,111                                  | 23,783                                     | (1,182,258)        | —                                           | 268,546,015        |
| Closing insurance contract liabilities for account of segregated fund holders                | 49,791,723                         | —                | —                               | —                                        | —                                          | —                  | —                                           | 49,791,723         |
| <b>Net closing balance, December 31, 2024</b>                                                | <b>317,124,290</b>                 | <b>87,595</b>    | <b>1,896,703</b>                | <b>382,176</b>                           | <b>23,783</b>                              | <b>(1,239,246)</b> | <b>—</b>                                    | <b>318,275,301</b> |

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Insurance contracts – Analysis by remaining coverage and incurred claims (continued)*

| HK\$'000                                                                                     | Liabilities for remaining coverage |                | Liabilities for incurred claims |                                          |                                            |             | Assets for insurance acquisition cash flows | Total |
|----------------------------------------------------------------------------------------------|------------------------------------|----------------|---------------------------------|------------------------------------------|--------------------------------------------|-------------|---------------------------------------------|-------|
|                                                                                              | Excluding loss component           | Loss component | Products not under PAA          | PAA Estimates of PV of future cash flows | PAA Risk adjustment for non-financial risk |             |                                             |       |
| Opening insurance contract assets                                                            | 42,777                             | —              | —                               | (65,820)                                 | —                                          | (48,857)    | (71,900)                                    |       |
| Opening insurance contract liabilities                                                       | 215,898,092                        | 542,789        | 1,697,157                       | 397,019                                  | —                                          | (1,332,512) | 217,202,545                                 |       |
| Opening insurance contract liabilities for account of segregated fund holders                | 46,408,090                         | —              | —                               | —                                        | —                                          | —           | 46,408,090                                  |       |
| Net opening balance, January 1, 2023                                                         | 262,348,959                        | 542,789        | 1,697,157                       | 331,199                                  | —                                          | (1,381,369) | 263,538,735                                 |       |
| <b>Insurance revenue</b>                                                                     |                                    |                |                                 |                                          |                                            |             |                                             |       |
| Expected incurred claims and other insurance service result                                  | (333,432)                          | —              | —                               | —                                        | —                                          | —           | (333,432)                                   |       |
| Change in risk adjustment for non-financial risk expired                                     | (1,132,103)                        | —              | —                               | —                                        | —                                          | —           | (1,132,103)                                 |       |
| CSM recognized for services provided                                                         | (3,408,775)                        | —              | —                               | —                                        | —                                          | —           | (3,408,775)                                 |       |
| Recovery of insurance acquisition cash flows                                                 | (666,868)                          | —              | —                               | —                                        | —                                          | —           | (666,868)                                   |       |
| Contracts under PAA                                                                          | (4,575,375)                        | —              | —                               | —                                        | —                                          | —           | (4,575,375)                                 |       |
|                                                                                              | (10,116,553)                       | —              | —                               | —                                        | —                                          | —           | (10,116,553)                                |       |
| <b>Insurance service expense</b>                                                             |                                    |                |                                 |                                          |                                            |             |                                             |       |
| Incurred claims and other insurance service expenses                                         | —                                  | (79)           | (130,724)                       | 3,341,982                                | —                                          | —           | 3,211,179                                   |       |
| Losses and reversal of losses on onerous contracts (future service)                          | —                                  | (253,378)      | —                               | —                                        | —                                          | —           | (253,378)                                   |       |
| Changes to liabilities for incurred claims (past service)                                    | —                                  | —              | —                               | —                                        | —                                          | —           | —                                           |       |
| Amortization of insurance acquisition cash flows                                             | 1,311,562                          | —              | —                               | —                                        | —                                          | —           | 1,311,562                                   |       |
|                                                                                              | 1,311,562                          | (253,457)      | (130,724)                       | 3,341,982                                | —                                          | —           | 4,269,363                                   |       |
| Investment components and premium refunds                                                    | (12,059,560)                       | —              | 12,059,560                      | —                                        | —                                          | —           | —                                           |       |
| Insurance service result                                                                     | (20,864,551)                       | (253,457)      | 11,928,836                      | 3,341,982                                | —                                          | —           | (5,847,190)                                 |       |
| Insurance finance (income) expense                                                           | 19,058,493                         | 1,907          | 745,668                         | 912                                      | 28,226                                     | —           | 19,835,206                                  |       |
| Effects of movements in foreign exchange rates                                               | (146,190)                          | (612)          | 391                             | 11                                       | (106)                                      | (153)       | (146,659)                                   |       |
| Total changes in income and OCI                                                              | (1,952,248)                        | (252,162)      | 12,674,895                      | 3,342,905                                | 28,120                                     | (153)       | 13,841,357                                  |       |
| <b>Cash flows</b>                                                                            |                                    |                |                                 |                                          |                                            |             |                                             |       |
| Premiums and premium tax received                                                            | 42,932,324                         | —              | —                               | —                                        | —                                          | —           | 42,932,324                                  |       |
| Claims and other insurance service expenses paid, including investment components            | —                                  | —              | (12,634,314)                    | (3,255,731)                              | —                                          | —           | (15,890,045)                                |       |
| Insurance acquisition cash flows                                                             | (7,092,276)                        | —              | —                               | —                                        | —                                          | —           | (7,092,276)                                 |       |
| Total cash flows                                                                             | 35,840,048                         | —              | (12,634,314)                    | (3,255,731)                              | —                                          | —           | 19,950,003                                  |       |
| Allocation from assets for insurance acquisition cash flows to groups of insurance contracts | (299,255)                          | —              | —                               | —                                        | —                                          | 299,255     | —                                           |       |
| Acquisition cash flows incurred in the year                                                  | —                                  | —              | —                               | —                                        | —                                          | (225,960)   | (225,960)                                   |       |
| Movements related to insurance contract liabilities for account of segregated fund holders   | 2,992,517                          | —              | —                               | —                                        | —                                          | —           | 2,992,517                                   |       |
| Net closing balance                                                                          | 298,930,021                        | 290,627        | 1,737,738                       | 418,373                                  | 28,120                                     | (1,308,227) | 300,096,652                                 |       |
| Closing insurance contract assets                                                            | 9,962                              | —              | —                               | (19,368)                                 | —                                          | —           | (9,406)                                     |       |
| Closing insurance contract liabilities                                                       | 249,519,452                        | 290,627        | 1,737,738                       | 437,741                                  | 28,120                                     | (1,308,227) | 250,705,451                                 |       |
| Closing insurance contract liabilities for account of segregated fund holders                | 49,400,607                         | —              | —                               | —                                        | —                                          | —           | 49,400,607                                  |       |
| Net closing balance, December 31, 2023                                                       | 298,930,021                        | 290,627        | 1,737,738                       | 418,373                                  | 28,120                                     | (1,308,227) | 300,096,652                                 |       |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Insurance contracts – Analysis by measurement components*

The following tables present the movement in the net assets or liabilities for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM for the years ended December 31, 2024 and December 31, 2023.

| HK\$'000                                                                                     | Estimates of PV of future cash flows | Risk adjustment for non-financial risk | CSM                |                   | Assets for insurance acquisition cash flows | Total              |
|----------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|--------------------|-------------------|---------------------------------------------|--------------------|
|                                                                                              |                                      |                                        | Fair value         | Other             |                                             |                    |
| Opening GMM and VFA insurance contract assets                                                | —                                    | —                                      | —                  | —                 | —                                           | —                  |
| Opening GMM and VFA insurance contract liabilities                                           | 199,662,759                          | 13,197,640                             | 30,207,905         | 6,873,665         | —                                           | 249,941,969        |
| Opening PAA insurance contract net liabilities                                               | 2,034,183                            | 28,120                                 | —                  | —                 | (1,308,227)                                 | 754,076            |
| Opening insurance contract liabilities for account of segregated fund holders                | 49,400,607                           | —                                      | —                  | —                 | —                                           | 49,400,607         |
| <b>Net opening balance, January 1, 2024</b>                                                  | <b>251,097,549</b>                   | <b>13,225,760</b>                      | <b>30,207,905</b>  | <b>6,873,665</b>  | <b>(1,308,227)</b>                          | <b>300,096,652</b> |
| CSM recognized for services provided                                                         | —                                    | —                                      | (3,902,903)        | (891,177)         | —                                           | (4,794,080)        |
| Change in risk adjustment for non-financial risk for risk expired                            | —                                    | (833,142)                              | —                  | —                 | —                                           | (833,142)          |
| Experience adjustments                                                                       | (383,993)                            | —                                      | —                  | —                 | —                                           | (383,993)          |
| <b>Changes that relate to current services</b>                                               | <b>(383,993)</b>                     | <b>(833,142)</b>                       | <b>(3,902,903)</b> | <b>(891,177)</b>  | <b>—</b>                                    | <b>(6,011,215)</b> |
| Contracts initially recognized during the year                                               | (5,983,336)                          | 1,055,063                              | 5,332              | 4,948,106         | —                                           | 25,165             |
| Changes in estimates that adjust the CSM                                                     | (5,371,928)                          | 1,812,789                              | 3,214,539          | 344,600           | —                                           | —                  |
| Changes in estimates that relate to losses and reversal of losses on onerous contracts       | (216,574)                            | 21,822                                 | —                  | —                 | —                                           | (194,752)          |
| <b>Changes that relate to future services</b>                                                | <b>(11,571,838)</b>                  | <b>2,889,674</b>                       | <b>3,219,871</b>   | <b>5,292,706</b>  | <b>—</b>                                    | <b>(169,587)</b>   |
| Adjustments to liabilities for incurred claims                                               | —                                    | —                                      | —                  | —                 | —                                           | —                  |
| <b>Changes that relate to past services</b>                                                  | <b>—</b>                             | <b>—</b>                               | <b>—</b>           | <b>—</b>          | <b>—</b>                                    | <b>—</b>           |
| <b>Insurance service result</b>                                                              | <b>(11,955,831)</b>                  | <b>2,056,532</b>                       | <b>(683,032)</b>   | <b>4,401,529</b>  | <b>—</b>                                    | <b>(6,180,802)</b> |
| Insurance finance (income) expense                                                           | 7,922,671                            | 7,821                                  | 50,372             | 7,580             | —                                           | 7,988,444          |
| Effects of movements in foreign exchange rates                                               | (721,014)                            | (40,696)                               | (108,794)          | (47,783)          | —                                           | (918,287)          |
| <b>Total changes in income and OCI</b>                                                       | <b>(4,754,174)</b>                   | <b>2,023,657</b>                       | <b>(741,454)</b>   | <b>4,361,326</b>  | <b>—</b>                                    | <b>889,355</b>     |
| Total cash flows                                                                             | 16,786,999                           | —                                      | —                  | —                 | —                                           | 16,786,999         |
| Allocation from assets for insurance acquisition cash flows to groups of insurance contracts | —                                    | —                                      | —                  | —                 | —                                           | —                  |
| Acquisition cash flow incurred in the year                                                   | —                                    | —                                      | —                  | —                 | —                                           | —                  |
| Change in PAA balance                                                                        | 46,535                               | (4,337)                                | —                  | —                 | 68,981                                      | 111,179            |
| Movements related to insurance contract liabilities for account of segregated fund holders   | 391,116                              | —                                      | —                  | —                 | —                                           | 391,116            |
| <b>Net closing balance</b>                                                                   | <b>263,568,025</b>                   | <b>15,245,080</b>                      | <b>29,466,451</b>  | <b>11,234,991</b> | <b>(1,239,246)</b>                          | <b>318,275,301</b> |
| Closing GMM and VFA insurance contract assets                                                | —                                    | —                                      | —                  | —                 | —                                           | —                  |
| Closing GMM and VFA insurance contract liabilities                                           | 211,695,584                          | 15,221,297                             | 29,466,451         | 11,234,991        | —                                           | 267,618,323        |
| Closing PAA insurance contract net liabilities                                               | 2,080,718                            | 23,783                                 | —                  | —                 | (1,239,246)                                 | 865,255            |
| Closing insurance contract liabilities for account of segregated fund insurance holders      | 49,791,723                           | —                                      | —                  | —                 | —                                           | 49,791,723         |
| <b>Net closing balance, December 31, 2024</b>                                                | <b>263,568,025</b>                   | <b>15,245,080</b>                      | <b>29,466,451</b>  | <b>11,234,991</b> | <b>(1,239,246)</b>                          | <b>318,275,301</b> |

|                                                                                     |                  |
|-------------------------------------------------------------------------------------|------------------|
| <b>Insurance finance (income) expense</b>                                           | HK\$'000         |
| Insurance finance (income) expense, per disclosure above                            | 7,988,444        |
| Reclassification of derivative OCI to IFIE – cash flow hedges                       | —                |
| Reclassification of derivative (income) loss changes to IFIE – fair value hedge     | —                |
| PAA items:                                                                          |                  |
| PAA IFIE per disclosure                                                             | (18,174)         |
| PAA Reclassification of derivative OCI to IFIE – cash flow hedges                   | —                |
| PAA Reclassification of derivative (income) loss changes to IFIE – fair value hedge | —                |
|                                                                                     | <u>7,970,270</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Insurance contracts – Analysis by measurement components (continued)*

| HK\$'000                                                                                   | Estimates of<br>PV of future<br>cash flows | Risk adjustment<br>for non-financial<br>risk | CSM                |                  | Assets for<br>insurance<br>acquisition<br>cash flows | Total              |
|--------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|--------------------|------------------|------------------------------------------------------|--------------------|
|                                                                                            |                                            |                                              | Fair value         | Other            |                                                      |                    |
| Opening GMM and VFA insurance contract assets                                              | —                                          | —                                            | —                  | —                | —                                                    | —                  |
| Opening GMM and VFA insurance contract liabilities                                         | 170,080,457                                | 22,569,513                                   | 21,495,576         | 2,516,045        | —                                                    | 216,661,591        |
| Opening PAA insurance contract net liabilities                                             | 1,850,423                                  | —                                            | —                  | —                | (1,381,369)                                          | 469,054            |
| Opening insurance contract liabilities for account of segregated fund holders              | 46,408,090                                 | —                                            | —                  | —                | —                                                    | 46,408,090         |
| <b>Net opening balance, January 1, 2023</b>                                                | <b>218,338,970</b>                         | <b>22,569,513</b>                            | <b>21,495,576</b>  | <b>2,516,045</b> | <b>(1,381,369)</b>                                   | <b>263,538,735</b> |
| CSM recognized for services provided                                                       | —                                          | —                                            | (2,985,802)        | (422,974)        | —                                                    | (3,408,776)        |
| Change in risk adjustment for non-financial risk for risk expired                          | —                                          | (1,125,055)                                  | —                  | —                | —                                                    | (1,125,055)        |
| Experience adjustments                                                                     | (608,042)                                  | —                                            | —                  | —                | —                                                    | (608,042)          |
| <b>Changes that relate to current services</b>                                             | <b>(608,042)</b>                           | <b>(1,125,055)</b>                           | <b>(2,985,802)</b> | <b>(422,974)</b> | <b>—</b>                                             | <b>(5,141,873)</b> |
| Contracts initially recognized during the year                                             | (4,633,866)                                | 931,735                                      | 3,062              | 3,702,011        | —                                                    | 2,942              |
| Changes in estimates that adjust the CSM                                                   | (3,391,724)                                | (9,331,347)                                  | 11,641,176         | 1,081,895        | —                                                    | —                  |
| Changes in estimates that relate to losses and reversal of losses on onerous contracts     | (305,215)                                  | 48,893                                       | —                  | —                | —                                                    | (256,322)          |
| <b>Changes that relate to future services</b>                                              | <b>(8,330,805)</b>                         | <b>(8,350,719)</b>                           | <b>11,644,238</b>  | <b>4,783,906</b> | <b>—</b>                                             | <b>(253,380)</b>   |
| Adjustments to liabilities for incurred claims                                             | —                                          | —                                            | —                  | —                | —                                                    | —                  |
| <b>Changes that relate to past services</b>                                                | <b>—</b>                                   | <b>—</b>                                     | <b>—</b>           | <b>—</b>         | <b>—</b>                                             | <b>—</b>           |
| <b>Insurance service result</b>                                                            | <b>(8,938,847)</b>                         | <b>(9,475,774)</b>                           | <b>8,658,436</b>   | <b>4,360,932</b> | <b>—</b>                                             | <b>(5,395,253)</b> |
| Insurance finance (income) expense                                                         | 19,650,843                                 | 95,871                                       | 49,742             | 4,378            | —                                                    | 19,800,834         |
| Effects of movements in foreign exchange rates                                             | (151,031)                                  | 8,030                                        | 4,151              | (7,690)          | —                                                    | (146,540)          |
| <b>Total changes in income and OCI</b>                                                     | <b>10,560,965</b>                          | <b>(9,371,873)</b>                           | <b>8,712,329</b>   | <b>4,357,620</b> | <b>—</b>                                             | <b>14,259,041</b>  |
| Total cash flows                                                                           | 19,021,337                                 | —                                            | —                  | —                | —                                                    | 19,021,337         |
| Change in PAA balance                                                                      | 183,760                                    | 28,120                                       | —                  | —                | 73,142                                               | 285,022            |
| Movements related to insurance contract liabilities for account of segregated fund holders | 2,992,517                                  | —                                            | —                  | —                | —                                                    | 2,992,517          |
| <b>Net closing balance</b>                                                                 | <b>251,097,549</b>                         | <b>13,225,760</b>                            | <b>30,207,905</b>  | <b>6,873,665</b> | <b>(1,308,227)</b>                                   | <b>300,096,652</b> |
| Closing GMM and VFA insurance contract assets                                              | —                                          | —                                            | —                  | —                | —                                                    | —                  |
| Closing GMM and VFA insurance contract liabilities                                         | 199,662,759                                | 13,197,640                                   | 30,207,905         | 6,873,665        | —                                                    | 249,941,969        |
| Closing PAA insurance contract net liabilities                                             | 2,034,183                                  | 28,120                                       | —                  | —                | (1,308,227)                                          | 754,076            |
| Closing insurance contract liabilities for account of segregated fund insurance holders    | 49,400,607                                 | —                                            | —                  | —                | —                                                    | 49,400,607         |
| <b>Net closing balance, December 31, 2023</b>                                              | <b>251,097,549</b>                         | <b>13,225,760</b>                            | <b>30,207,905</b>  | <b>6,873,665</b> | <b>(1,308,227)</b>                                   | <b>300,096,652</b> |

|                                                                                     |                   |
|-------------------------------------------------------------------------------------|-------------------|
| <b>Insurance finance (income) expense</b>                                           | HK\$'000          |
| Insurance finance (income) expense, per disclosure above                            | 19,800,834        |
| Reclassification of derivative OCI to IFIE – cash flow hedges                       | —                 |
| Reclassification of derivative (income) loss changes to IFIE – fair value hedge     | —                 |
| PAA items:                                                                          |                   |
| PAA IFIE per disclosure                                                             | 34,372            |
| PAA Reclassification of derivative OCI to IFIE – cash flow hedges                   | —                 |
| PAA Reclassification of derivative (income) loss changes to IFIE – fair value hedge | —                 |
|                                                                                     | <u>19,835,206</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Reinsurance Contracts Held – Analysis by remaining coverage and incurred claims*

The following tables present the movement in the net assets or liabilities for reinsurance contracts held, showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers for the years ended December 31, 2024 and December 31, 2023.

| HK\$'000                                                                         | Assets for remaining coverage     |                         | Assets for incurred claims |                                          |                                            | Total              |
|----------------------------------------------------------------------------------|-----------------------------------|-------------------------|----------------------------|------------------------------------------|--------------------------------------------|--------------------|
|                                                                                  | Excluding loss recovery component | Loss recovery component | Products not under PAA     | PAA Estimates of PV of future cash flows | PAA Risk adjustment for non-financial risk |                    |
| Opening reinsurance contract held assets                                         | 44,272,394                        | 131,542                 | (39,134,302)               | 19,659                                   | —                                          | 5,289,293          |
| Opening reinsurance contract held liabilities                                    | 672,242                           | 24                      | (1,188,011)                | (227,011)                                | —                                          | (742,756)          |
| <b>Net opening balance, January 1, 2024</b>                                      | <b>44,944,636</b>                 | <b>131,566</b>          | <b>(40,322,313)</b>        | <b>(207,352)</b>                         | <b>—</b>                                   | <b>4,546,537</b>   |
| <b>Changes in income and OCI</b>                                                 |                                   |                         |                            |                                          |                                            |                    |
| Allocation of reinsurance premium paid                                           | (2,714,979)                       | —                       | —                          | —                                        | —                                          | (2,714,979)        |
| <b>Amounts recoverable from reinsurers</b>                                       |                                   |                         |                            |                                          |                                            |                    |
| Recoveries of incurred claims and other insurance service expenses               | —                                 | (17,253)                | 3,180,938                  | 154,052                                  | —                                          | 3,317,737          |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts | —                                 | 8,404                   | —                          | —                                        | —                                          | 8,404              |
| Adjustments to assets for incurred claims                                        | —                                 | —                       | —                          | —                                        | —                                          | —                  |
| <b>Insurance service result</b>                                                  | <b>(2,714,979)</b>                | <b>(8,849)</b>          | <b>3,180,938</b>           | <b>154,052</b>                           | <b>—</b>                                   | <b>611,162</b>     |
| Investment components and premium refunds                                        | (1,047,223)                       | —                       | 1,047,223                  | —                                        | —                                          | —                  |
| <b>Net expenses from reinsurance contracts</b>                                   | <b>(3,762,202)</b>                | <b>(8,849)</b>          | <b>4,228,161</b>           | <b>154,052</b>                           | <b>—</b>                                   | <b>611,162</b>     |
| Net finance (income) expense from reinsurance contracts                          | 982,580                           | 954                     | (2,768,871)                | —                                        | —                                          | (1,785,337)        |
| Effect of changes in non-performance risk of reinsurers                          | 5,749                             | —                       | —                          | —                                        | —                                          | 5,749              |
| Effects of movements in foreign exchange rates                                   | (24,714)                          | (2,231)                 | (34)                       | —                                        | —                                          | (26,979)           |
| Contracts measured under PAA                                                     | —                                 | —                       | —                          | —                                        | —                                          | —                  |
| <b>Total changes in income and OCI</b>                                           | <b>(2,798,587)</b>                | <b>(10,126)</b>         | <b>1,459,256</b>           | <b>154,052</b>                           | <b>—</b>                                   | <b>(1,195,405)</b> |
| <b>Cash flows</b>                                                                |                                   |                         |                            |                                          |                                            |                    |
| Premiums paid                                                                    | 5,730,247                         | —                       | —                          | —                                        | —                                          | 5,730,247          |
| Amounts received                                                                 | —                                 | —                       | (4,318,902)                | 87,953                                   | —                                          | (4,230,949)        |
| <b>Total cash flows</b>                                                          | <b>5,730,247</b>                  | <b>—</b>                | <b>(4,318,902)</b>         | <b>87,953</b>                            | <b>—</b>                                   | <b>1,499,298</b>   |
| <b>Net closing balance</b>                                                       | <b>47,876,296</b>                 | <b>121,440</b>          | <b>(43,181,959)</b>        | <b>34,653</b>                            | <b>—</b>                                   | <b>4,850,430</b>   |
| Closing reinsurance contract held assets                                         | 47,692,098                        | 121,440                 | (42,728,463)               | 34,747                                   | —                                          | 5,119,822          |
| Closing reinsurance contract held liabilities                                    | 184,198                           | —                       | (453,496)                  | (94)                                     | —                                          | (269,392)          |
| <b>Net closing balance, December 31, 2024</b>                                    | <b>47,876,296</b>                 | <b>121,440</b>          | <b>(43,181,959)</b>        | <b>34,653</b>                            | <b>—</b>                                   | <b>4,850,430</b>   |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Reinsurance Contracts Held – Analysis by remaining coverage and incurred claims (continued)*

| HK\$'000                                                                         | Assets for remaining coverage     |                         | Assets for incurred claims |                                          |                                            | Total              |
|----------------------------------------------------------------------------------|-----------------------------------|-------------------------|----------------------------|------------------------------------------|--------------------------------------------|--------------------|
|                                                                                  | Excluding loss recovery component | Loss recovery component | Products not under PAA     | PAA Estimates of PV of future cash flows | PAA Risk adjustment for non-financial risk |                    |
| Opening reinsurance contract held assets                                         | 40,506,903                        | 123,368                 | (35,371,088)               | 14,322                                   | —                                          | 5,273,505          |
| Opening reinsurance contract held liabilities                                    | 505,538                           | 36                      | (984,336)                  | (172,964)                                | —                                          | (651,726)          |
| <b>Net opening balance, January 1, 2023</b>                                      | <b>41,012,441</b>                 | <b>123,404</b>          | <b>(36,355,424)</b>        | <b>(158,642)</b>                         | <b>—</b>                                   | <b>4,621,779</b>   |
| <b>Changes in income and OCI</b>                                                 |                                   |                         |                            |                                          |                                            |                    |
| Allocation of reinsurance premium paid                                           | (2,731,411)                       | —                       | —                          | —                                        | —                                          | (2,731,411)        |
| <b>Amounts recoverable from reinsurers</b>                                       |                                   |                         |                            |                                          |                                            |                    |
| Recoveries of incurred claims and other insurance service expenses               | —                                 | (338)                   | 3,315,722                  | 120,186                                  | —                                          | 3,435,570          |
| Recoveries and reversals of recoveries of losses on onerous underlying contracts | —                                 | 8,769                   | —                          | —                                        | —                                          | 8,769              |
| <b>Insurance service result</b>                                                  | <b>(2,731,411)</b>                | <b>8,431</b>            | <b>3,315,722</b>           | <b>120,186</b>                           | <b>—</b>                                   | <b>712,928</b>     |
| Investment components and premium refunds                                        | (759,951)                         | —                       | 759,951                    | —                                        | —                                          | —                  |
| <b>Net expenses from reinsurance contracts</b>                                   | <b>(3,491,362)</b>                | <b>8,431</b>            | <b>4,075,673</b>           | <b>120,186</b>                           | <b>—</b>                                   | <b>712,928</b>     |
| Net finance (income) expense from reinsurance contracts                          | 1,754,757                         | 990                     | (3,652,207)                | 11                                       | —                                          | (1,896,449)        |
| Effect of changes in non-performance risk of reinsurers                          | 543                               | —                       | —                          | —                                        | —                                          | 543                |
| Effects of movements in foreign exchange rates                                   | 1,702                             | (1,259)                 | 3                          | —                                        | —                                          | 446                |
| Contracts measured under PAA                                                     | —                                 | —                       | —                          | —                                        | —                                          | —                  |
| <b>Total changes in income and OCI</b>                                           | <b>(1,734,360)</b>                | <b>8,162</b>            | <b>423,469</b>             | <b>120,197</b>                           | <b>—</b>                                   | <b>(1,182,532)</b> |
| <b>Cash flows</b>                                                                |                                   |                         |                            |                                          |                                            |                    |
| Premiums paid                                                                    | 5,666,555                         | —                       | —                          | —                                        | —                                          | 5,666,555          |
| Amounts received                                                                 | —                                 | —                       | (4,390,358)                | (168,907)                                | —                                          | (4,559,265)        |
| <b>Total cash flows</b>                                                          | <b>5,666,555</b>                  | <b>—</b>                | <b>(4,390,358)</b>         | <b>(168,907)</b>                         | <b>—</b>                                   | <b>1,107,290</b>   |
| <b>Net closing balance</b>                                                       | <b>44,944,636</b>                 | <b>131,566</b>          | <b>(40,322,313)</b>        | <b>(207,352)</b>                         | <b>—</b>                                   | <b>4,546,537</b>   |
| Closing reinsurance contract held assets                                         | 44,272,394                        | 131,542                 | (39,134,302)               | 19,659                                   | —                                          | 5,289,293          |
| Closing reinsurance contract held liabilities                                    | 672,242                           | 24                      | (1,188,011)                | (227,011)                                | —                                          | (742,756)          |
| <b>Net closing balance, December 31, 2023</b>                                    | <b>44,944,636</b>                 | <b>131,566</b>          | <b>(40,322,313)</b>        | <b>(207,352)</b>                         | <b>—</b>                                   | <b>4,546,537</b>   |

MANULIFE (INTERNATIONAL) LIMITED

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Reinsurance Contracts Held – Analysis by measurement components*

The following tables present the movement in the net assets or liabilities for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM for the years ended December 31, 2024 and December 31, 2023.

| HK\$'000                                                                               | Estimates of PV<br>of future cash<br>flows | Risk adjustment<br>for non-financial<br>risk | CSM              |               | Total              |
|----------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|------------------|---------------|--------------------|
|                                                                                        |                                            |                                              | Fair value       | Other         |                    |
| Opening reinsurance contract held assets                                               | (5,905,526)                                | 3,572,380                                    | 7,632,287        | (41,848)      | 5,257,293          |
| Opening reinsurance contract held liabilities                                          | (1,297,057)                                | 422,156                                      | 209,766          | 50,018        | (615,117)          |
| Opening PAA reinsurance contract net assets                                            | (95,639)                                   | —                                            | —                | —             | (95,639)           |
| <b>Net opening balance, January 1, 2024</b>                                            | <b>(7,298,222)</b>                         | <b>3,994,536</b>                             | <b>7,842,053</b> | <b>8,170</b>  | <b>4,546,537</b>   |
| CSM recognized for services received                                                   | —                                          | —                                            | (845,155)        | 12,197        | (832,958)          |
| Change in risk adjustment for non-financial risk for risk expired                      | —                                          | (203,572)                                    | —                | —             | (203,572)          |
| Experience adjustments                                                                 | 1,658,389                                  | —                                            | —                | —             | 1,658,389          |
| <b>Changes that relate to current services</b>                                         | <b>1,658,389</b>                           | <b>(203,572)</b>                             | <b>(845,155)</b> | <b>12,197</b> | <b>621,859</b>     |
| Contracts initially recognized during the year                                         | (165,022)                                  | 71,828                                       | 53,471           | 57,453        | 17,730             |
| Changes in recoveries of losses on onerous underlying contracts that adjust the CSM    | —                                          | —                                            | (1,065)          | (19,304)      | (20,369)           |
| Changes in estimates that adjust the CSM                                               | (432,687)                                  | 61,705                                       | 379,322          | (8,341)       | (1)                |
| Changes in estimates that relate to losses and reversal of losses on onerous contracts | 8,997                                      | 2,046                                        | —                | —             | 11,043             |
| <b>Changes that relate to future services</b>                                          | <b>(588,712)</b>                           | <b>135,579</b>                               | <b>431,728</b>   | <b>29,808</b> | <b>8,403</b>       |
| Adjustments to liabilities for incurred claims                                         | —                                          | —                                            | —                | —             | —                  |
| <b>Changes that relate to past services</b>                                            | <b>—</b>                                   | <b>—</b>                                     | <b>—</b>         | <b>—</b>      | <b>—</b>           |
| <b>Insurance service result</b>                                                        | <b>1,069,677</b>                           | <b>(67,993)</b>                              | <b>(413,427)</b> | <b>42,005</b> | <b>630,262</b>     |
| Insurance finance (income) expenses from reinsurance contracts                         | (2,378,918)                                | 487,221                                      | 109,171          | (2,811)       | (1,785,337)        |
| Effects of changes in non-performance risk of reinsurers                               | 5,749                                      | —                                            | —                | —             | 5,749              |
| Effects of movements in foreign exchange rates                                         | (19,944)                                   | (3,137)                                      | (4,091)          | 331           | (26,841)           |
| <b>Total changes in income and OCI</b>                                                 | <b>(1,323,436)</b>                         | <b>416,091</b>                               | <b>(308,347)</b> | <b>39,525</b> | <b>(1,176,167)</b> |
| <b>Total cash flows</b>                                                                | <b>1,246,183</b>                           | <b>—</b>                                     | <b>—</b>         | <b>—</b>      | <b>1,246,183</b>   |
| <b>Change in PAA balance</b>                                                           | <b>233,877</b>                             | <b>—</b>                                     | <b>—</b>         | <b>—</b>      | <b>233,877</b>     |
| <b>Net closing balance</b>                                                             | <b>(7,141,598)</b>                         | <b>4,410,627</b>                             | <b>7,533,706</b> | <b>47,695</b> | <b>4,850,430</b>   |
| Closing reinsurance contract held assets                                               | (6,980,750)                                | 4,391,237                                    | 7,524,084        | 46,920        | 4,981,491          |
| Closing reinsurance contract held liabilities                                          | (299,087)                                  | 19,390                                       | 9,622            | 775           | (269,300)          |
| Closing PAA reinsurance contract net assets                                            | 138,239                                    | —                                            | —                | —             | 138,239            |
| <b>Net closing balance, December 31, 2024</b>                                          | <b>(7,141,598)</b>                         | <b>4,410,627</b>                             | <b>7,533,706</b> | <b>47,695</b> | <b>4,850,430</b>   |

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

*Reinsurance Contracts Held – Analysis by measurement components (continued)*

| HK\$'000                                                                               | Estimates of PV<br>of future cash<br>flows | Risk adjustment<br>for non-<br>financial risk | CSM              |                  | Total              |
|----------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------|------------------|------------------|--------------------|
|                                                                                        |                                            |                                               | Fair value       | Other            |                    |
| Opening reinsurance contract held assets                                               | (6,474,872)                                | 6,577,544                                     | 5,227,938        | (85,935)         | 5,244,675          |
| Opening reinsurance contract held liabilities                                          | (1,242,800)                                | 1,002,036                                     | (254,918)        | (81,345)         | (577,027)          |
| Opening PAA reinsurance contract net assets                                            | (45,869)                                   | —                                             | —                | —                | (45,869)           |
| <b>Net opening balance, January 1, 2023</b>                                            | <b>(7,763,541)</b>                         | <b>7,579,580</b>                              | <b>4,973,020</b> | <b>(167,280)</b> | <b>4,621,779</b>   |
| CSM recognized for services received                                                   | —                                          | —                                             | (542,073)        | 20,736           | (521,337)          |
| Change in risk adjustment for non-financial risk for risk expired                      | —                                          | (316,951)                                     | —                | —                | (316,951)          |
| Experience adjustments                                                                 | 1,596,182                                  | —                                             | —                | —                | 1,596,182          |
| <b>Changes that relate to current services</b>                                         | <b>1,596,182</b>                           | <b>(316,951)</b>                              | <b>(542,073)</b> | <b>20,736</b>    | <b>757,894</b>     |
| Contracts initially recognized during the year                                         | (205,660)                                  | 219,113                                       | 122,035          | (135,480)        | 8                  |
| Changes in recoveries of losses on onerous underlying contracts that adjust the CSM    | —                                          | —                                             | 1,544            | (5,416)          | (3,872)            |
| Changes in estimates that adjust the CSM                                               | 174,406                                    | (3,703,670)                                   | 3,225,521        | 303,743          | —                  |
| Changes in estimates that relate to losses and reversal of losses on onerous contracts | 26,315                                     | (13,684)                                      | —                | —                | 12,631             |
| <b>Changes that relate to future services</b>                                          | <b>(4,939)</b>                             | <b>(3,498,241)</b>                            | <b>3,349,100</b> | <b>162,847</b>   | <b>8,767</b>       |
| Adjustments to liabilities for incurred claims                                         | —                                          | —                                             | —                | —                | —                  |
| <b>Changes that relate to past services</b>                                            | <b>—</b>                                   | <b>—</b>                                      | <b>—</b>         | <b>—</b>         | <b>—</b>           |
| <b>Insurance service result</b>                                                        | <b>1,591,243</b>                           | <b>(3,815,192)</b>                            | <b>2,807,027</b> | <b>183,583</b>   | <b>766,661</b>     |
| Insurance finance (income) expenses from reinsurance contracts                         | (2,179,380)                                | 229,327                                       | 62,064           | (8,471)          | (1,896,460)        |
| Effects of changes in non-performance risk of reinsurers                               | 543                                        | —                                             | —                | —                | 543                |
| Effects of movements in foreign exchange rates                                         | (678)                                      | 821                                           | (58)             | 338              | 423                |
| <b>Total changes in income and OCI</b>                                                 | <b>(588,272)</b>                           | <b>(3,585,044)</b>                            | <b>2,869,033</b> | <b>175,450</b>   | <b>(1,128,833)</b> |
| <b>Total cash flows</b>                                                                | <b>1,103,361</b>                           | <b>—</b>                                      | <b>—</b>         | <b>—</b>         | <b>1,103,361</b>   |
| <b>Change in PAA balance</b>                                                           | <b>(49,770)</b>                            | <b>—</b>                                      | <b>—</b>         | <b>—</b>         | <b>(49,770)</b>    |
| <b>Net closing balance</b>                                                             | <b>(7,298,222)</b>                         | <b>3,994,536</b>                              | <b>7,842,053</b> | <b>8,170</b>     | <b>4,546,537</b>   |
| Closing reinsurance contract held assets                                               | (5,905,526)                                | 3,572,380                                     | 7,632,287        | (41,848)         | 5,257,293          |
| Closing reinsurance contract held liabilities                                          | (1,297,057)                                | 422,156                                       | 209,766          | 50,018           | (615,117)          |
| Closing PAA reinsurance contract net assets                                            | (95,639)                                   | —                                             | —                | —                | (95,639)           |
| <b>Net closing balance,</b>                                                            | <b>(7,298,222)</b>                         | <b>3,994,536</b>                              | <b>7,842,053</b> | <b>8,170</b>     | <b>4,546,537</b>   |
| <b>December 31, 2023</b>                                                               |                                            |                                               |                  |                  |                    |

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(c) Insurance revenue by transition method

The following table provides information as a supplement to the insurance revenue disclosures in note 17(b).

|                                               | 2024              | 2023              |
|-----------------------------------------------|-------------------|-------------------|
|                                               | HK\$'000          | HK\$'000          |
| Contracts under the fair value method         | 5,147,541         | 4,270,331         |
| Contracts under the full retrospective method | 232,154           | 229,654           |
| Other contracts                               | 6,821,444         | 5,616,568         |
| Total                                         | <u>12,201,139</u> | <u>10,116,553</u> |

(d) Effect of new business recognized in the year

The following table presents components of new business for insurance contracts issued for the years presented.

|                                                                | 2024         |               |
|----------------------------------------------------------------|--------------|---------------|
|                                                                | Non-Onerous  | Onerous       |
|                                                                | HK\$'000     | HK\$'000      |
| Estimates of present value of cash outflows                    | 48,982,005   | 415,965       |
| Insurance acquisition cash flows                               | 10,419,934   | 38,620        |
| Claims and other insurance service expenses payable            | 38,562,071   | 377,345       |
| Estimates of present value of cash inflows                     | (54,985,156) | (396,150)     |
| Risk adjustment for non-financial risk                         | 1,049,713    | 5,350         |
| Contractual service margin                                     | 4,953,438    | —             |
| Amount included in insurance contract liabilities for the year | <u>—</u>     | <u>25,165</u> |

|                                                                | 2023         |              |
|----------------------------------------------------------------|--------------|--------------|
|                                                                | Non-Onerous  | Onerous      |
|                                                                | HK\$'000     | HK\$'000     |
| Estimates of present value of cash outflows                    | 24,673,580   | 34,362       |
| Insurance acquisition cash flows                               | 5,366,784    | 32,448       |
| Claims and other insurance service expenses payable            | 19,306,796   | 1,914        |
| Estimates of present value of cash inflows                     | (29,303,564) | (38,244)     |
| Risk adjustment for non-financial risk                         | 924,911      | 6,824        |
| Contractual service margin                                     | 3,705,073    | —            |
| Amount included in insurance contract liabilities for the year | <u>—</u>     | <u>2,942</u> |

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES(continued)

(d) Effect of new business recognized in the year (continued)

The following tables present components of new business for reinsurance contracts held portfolios for the years presented.

|                                             | 2024<br>HK\$'000 | 2023<br>HK\$'000 |
|---------------------------------------------|------------------|------------------|
| New business reinsurance contracts:         |                  |                  |
| Estimates of present value of cash outflows | (924,492)        | (411,465)        |
| Estimates of present value of cash inflows  | 759,470          | 205,805          |
| Risk adjustment for non-financial risk      | 71,828           | 219,113          |
| Contractual service margin                  | 110,924          | (13,445)         |
|                                             | <u>17,730</u>    | <u>8</u>         |

(e) Expected recognition of contractual service margin

The following table presents expectations for the timing of recognition of CSM in income in future years.

| <b>December 31, 2024</b>   | Up to a<br>year  | 1-3<br>years     | 3-5<br>years     | Over 5<br>years   | More than<br>20 years | Total             |
|----------------------------|------------------|------------------|------------------|-------------------|-----------------------|-------------------|
|                            | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000          | HK\$'000              | HK\$'000          |
| Insurance contracts issued | 3,788,089        | 6,607,606        | 5,495,021        | 17,979,759        | 6,830,967             | 40,701,442        |
| Reinsurance contracts held | 686,593          | 1,202,551        | 1,006,585        | 3,504,851         | 1,180,821             | 7,581,401         |
| Total                      | <u>4,474,682</u> | <u>7,810,157</u> | <u>6,501,606</u> | <u>21,484,610</u> | <u>8,011,788</u>      | <u>48,282,843</u> |
| <b>December 31, 2023</b>   | Up to a<br>year  | 1-3<br>years     | 3-5<br>years     | Over 5<br>years   | More than<br>20 years | Total             |
|                            | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000          | HK\$'000              | HK\$'000          |
| Insurance contracts issued | 3,526,469        | 6,078,048        | 4,996,413        | 16,425,434        | 6,055,206             | 37,081,570        |
| Reinsurance contracts held | 729,329          | 1,279,204        | 1,050,853        | 3,632,480         | 1,158,357             | 7,850,223         |
| Total                      | <u>4,255,798</u> | <u>7,357,252</u> | <u>6,047,266</u> | <u>20,057,914</u> | <u>7,213,563</u>      | <u>44,931,793</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(f) Investment income and insurance finance income and expense

The following tables present insurance finance income and expense recognized in income or expense or other comprehensive income, for the years ended December 31, 2024 and December 31, 2023.

| For the year ended December 31, 2024                                                                                             | Insurance contracts | Non-insurance      | Total              |
|----------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|--------------------|
|                                                                                                                                  | HK\$'000            | HK\$'000           | HK\$'000           |
| Investment related income                                                                                                        | 3,002,314           | 1,920,783          | 4,923,097          |
| Net gains (losses) on financial assets at FVTPL                                                                                  | 8,223,504           | 103,015            | 8,326,519          |
| Unrealized gains (losses) on FVOCI assets                                                                                        | (3,641,371)         | (3,495,356)        | (7,136,727)        |
| Impairment loss on financial assets                                                                                              | 27,534              | 4,037              | 31,571             |
| Investment expenses                                                                                                              | (115,105)           | (127,900)          | (243,005)          |
| <b>Total investment return</b>                                                                                                   | <b>7,496,876</b>    | <b>(1,595,421)</b> | <b>5,901,455</b>   |
| Portion recognized in income (expense), including effects of exchange rates                                                      | 11,138,247          | 1,899,935          | 13,038,182         |
| Portion recognized in OCI, including effects of exchange rates                                                                   | (3,641,371)         | (3,495,356)        | (7,136,727)        |
| <b>Insurance finance income (expense) from insurance contracts issued and effect of movement in exchange rates</b>               |                     |                    |                    |
| Interest accreted to insurance contracts using locked-in rate                                                                    | (362,734)           | —                  | (362,734)          |
| Due to changes in interest rates and other financial assumptions                                                                 | 167,385             | —                  | 167,385            |
| Changes in fair value of underlying items of direct participation contracts                                                      | (6,315,516)         | —                  | (6,315,516)        |
| Effects of risk mitigation option                                                                                                | 275,861             | —                  | 275,861            |
| Net foreign exchange income (expense)                                                                                            | —                   | —                  | —                  |
| Hedge accounting offset from insurance contracts issued                                                                          | —                   | —                  | —                  |
| Reclassification of derivative OCI to IFIE – cash flow hedges                                                                    | —                   | —                  | —                  |
| Reclassification of derivative income (loss) changes to IFIE – fair value hedge                                                  | —                   | —                  | —                  |
| Other                                                                                                                            | (1,735,266)         | —                  | (1,735,266)        |
| Total insurance finance income (expense) from insurance contracts issued                                                         | (7,970,270)         | —                  | (7,970,270)        |
| Effect of movements in foreign exchange rates                                                                                    | 1,009,940           | 43                 | 1,009,983          |
| <b>Total insurance finance income (expense) from insurance contracts issued and effect of movement in foreign exchange rates</b> | <b>(6,960,330)</b>  | <b>43</b>          | <b>(6,960,287)</b> |
| Portion recognized in income (expense), including effects of exchange rates                                                      | (9,574,517)         | 43                 | (9,574,474)        |
| Portion recognized in OCI, including effects of exchange rates                                                                   | 2,614,187           | —                  | 2,614,187          |

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(f) Investment income and insurance finance income and expense (continued)

| For the year ended December 31, 2024                                                                                               | Insurance<br>contracts | Non-insurance      | Total              |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------|--------------------|
|                                                                                                                                    | HK\$'000               | HK\$'000           | HK\$'000           |
| <b>Reinsurance finance income (expense) from reinsurance contracts held and effect of movement in foreign exchange rates</b>       |                        |                    |                    |
| Interest accreted to insurance contracts using locked-in rate                                                                      | 1,723,035              | —                  | 1,723,035          |
| Due to changes in interest rates and other financial assumptions                                                                   | (739,500)              | —                  | (739,500)          |
| Changes in risk of non-performance of reinsurer                                                                                    | 5,749                  | —                  | 5,749              |
| Other                                                                                                                              | (2,768,872)            | —                  | (2,768,872)        |
| Total reinsurance finance income (expense) from reinsurance contracts held                                                         | (1,779,588)            | —                  | (1,779,588)        |
| Effect of movements in foreign exchange rates                                                                                      | (2,380)                | —                  | (2,380)            |
| <b>Total reinsurance finance income (expense) from reinsurance contracts held and effect of movement in foreign exchange rates</b> | <b>(1,781,968)</b>     | <b>—</b>           | <b>(1,781,968)</b> |
| Portion recognized in income (expense), including effects of foreign exchange rates                                                | (1,796,265)            | —                  | (1,796,265)        |
| Portion recognized in OCI, including effects of exchange rates                                                                     | 14,297                 | —                  | 14,297             |
| Decrease in investment contract liabilities                                                                                        | —                      | 14,163             | 14,163             |
| <b>Total net investment income (loss), insurance finance income (expense) and reinsurance finance income (expense)</b>             | <b>(1,245,422)</b>     | <b>(1,581,215)</b> | <b>(2,826,637)</b> |
| Amounts recognized in income (expense)                                                                                             | (232,535)              | 1,914,141          | 1,681,606          |
| Amounts recognized in OCI                                                                                                          | (1,012,887)            | (3,495,356)        | (4,508,243)        |

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(f) Investment income and insurance finance income and expense (continued)

| For the year ended December 31, 2023                                                                                             | Insurance<br>contracts | Non-insurance    | Total               |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------|---------------------|
|                                                                                                                                  | HK\$'000               | HK\$'000         | HK\$'000            |
| Investment related income                                                                                                        | 5,974,261              | 1,120,227        | 7,094,488           |
| Net gains (losses) on financial assets at FVTPL                                                                                  | 9,116,649              | 285,018          | 9,401,667           |
| Unrealized gains (losses) on FVOCI assets                                                                                        | 6,416,719              | 560,491          | 6,977,210           |
| Impairment loss on financial assets                                                                                              | (37,832)               | 2,773            | (35,059)            |
| Investment expenses                                                                                                              | (202,569)              | (112,333)        | (314,902)           |
| <b>Total investment return</b>                                                                                                   | <b>21,267,228</b>      | <b>1,856,176</b> | <b>23,123,404</b>   |
| Portion recognized in income (expense), including effects of exchange rates                                                      | 14,850,509             | 1,295,685        | 16,146,194          |
| Portion recognized in OCI, including effects of exchange rates                                                                   | 6,416,719              | 560,491          | 6,977,210           |
| <b>Insurance finance income (expense) from insurance contracts issued and effect of movement in exchange rates</b>               |                        |                  |                     |
| Interest accreted to insurance contracts using locked-in rate                                                                    | (331,971)              | —                | (331,971)           |
| Due to changes in interest rates and other financial assumptions                                                                 | (569,547)              | —                | (569,547)           |
| Changes in fair value of underlying items of direct participation contracts                                                      | (17,711,649)           | —                | (17,711,649)        |
| Effects of risk mitigation option                                                                                                | 330,990                | —                | 330,990             |
| Net foreign exchange income (expense)                                                                                            | —                      | —                | —                   |
| Hedge accounting offset from insurance contracts issued                                                                          | —                      | —                | —                   |
| Reclassification of derivative OCI to IFIE – cash flow hedges                                                                    | —                      | —                | —                   |
| Reclassification of derivative income (loss) changes to IFIE – fair value hedge                                                  | —                      | —                | —                   |
| Other                                                                                                                            | (1,553,029)            | —                | (1,553,029)         |
| Total insurance finance income (expense) from insurance contracts issued                                                         | (19,835,206)           | —                | (19,835,206)        |
| Effect of movements in foreign exchange rates                                                                                    | (5,896)                | (2)              | (5,898)             |
| <b>Total insurance finance income (expense) from insurance contracts issued and effect of movement in foreign exchange rates</b> | <b>(19,841,102)</b>    | <b>(2)</b>       | <b>(19,841,104)</b> |
| Portion recognized in income (expense), including effects of exchange rates                                                      | (13,417,523)           | (2)              | (13,417,525)        |
| Portion recognized in OCI, including effects of exchange rates                                                                   | (6,423,579)            | —                | (6,423,579)         |

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17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(f) Investment income and insurance finance income and expense (continued)

| For the year ended December 31, 2023                                                                                               | Insurance<br>contracts | Non-insurance    | Total              |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------|--------------------|
|                                                                                                                                    | HK\$'000               | HK\$'000         | HK\$'000           |
| <b>Reinsurance finance income (expense) from reinsurance contracts held and effect of movement in foreign exchange rates</b>       |                        |                  |                    |
| Interest accreted to insurance contracts using locked-in rate                                                                      | 1,808,124              | —                | 1,808,124          |
| Due to changes in interest rates and other financial assumptions                                                                   | (52,377)               | —                | (52,377)           |
| Changes in risk of non-performance of reinsurer                                                                                    | 543                    |                  | 543                |
| Other                                                                                                                              | (3,652,196)            | —                | (3,652,196)        |
| Total reinsurance finance income (expense) from reinsurance contracts held                                                         | (1,895,906)            | —                | (1,895,906)        |
| Effect of movements in foreign exchange rates                                                                                      | 1,788                  | —                | 1,788              |
| <b>Total reinsurance finance income (expense) from reinsurance contracts held and effect of movement in foreign exchange rates</b> | <b>(1,894,118)</b>     | <b>—</b>         | <b>(1,894,118)</b> |
| Portion recognized in income (expense), including effects of foreign exchange rates                                                | (1,916,580)            | —                | (1,916,580)        |
| Portion recognized in OCI, including effects of exchange rates                                                                     | 22,462                 | —                | 22,462             |
| Decrease in investment contract liabilities                                                                                        | —                      | (60,435)         | (60,435)           |
| <b>Total net investment income (loss), insurance finance income (expense) and reinsurance finance income (expense)</b>             | <b>(467,992)</b>       | <b>1,795,739</b> | <b>1,327,747</b>   |
| Amounts recognized in income (expense)                                                                                             | (483,594)              | 1,235,248        | 751,654            |
| Amounts recognized in OCI                                                                                                          | 15,602                 | 560,491          | 576,093            |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(g) Significant judgements and estimates

Fulfilment cash flows

Fulfilment cash flows have three major components:

- Estimate of future cash flows
- An adjustment to reflect the time value of money and the financial risk related to future cash flows if not included in the estimate of future cash flows
- A risk adjustment for non-financial risk

The determination of insurance fulfilment cash flows involves the use of estimates and assumptions. A comprehensive review of valuation assumptions and methods is performed annually. The review reduces the Company's exposure to uncertainty by ensuring assumptions for liability risks remain appropriate. This is accomplished by monitoring experience and updating assumptions which represent a best estimate of expected future experience, and margins that are appropriate for the risks assumed. While the assumptions selected represent the Company's current best estimates and assessment of risk, the ongoing monitoring of experience and the changes in economic environment are likely to result in future changes to the actuarial assumptions, which could materially impact the insurance contract liabilities.

**Method used to measure insurance & reinsurance contract fulfilment cash flows**

The Company primarily uses deterministic projections using best estimate assumptions to determine the present value of future cash flows. For product features such as universal life minimum crediting rates guarantees, participating life zero dividend floor implicit guarantees and variable annuities guarantees, the Company developed a stochastic approach to capture the asymmetry of the risk.

**Determination of assumptions used**

For the deterministic projections, assumptions are made with respect to mortality, morbidity, rates of policy termination, operating expenses and certain taxes. Actual experience is monitored to ensure that assumptions remain appropriate and assumptions are changed as warranted. Assumptions are discussed in more detail in the following table.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(g) Significant judgements and estimates (continued)

Fulfilment cash flows (continued)

**Determination of assumptions used (continued)**

| Nature of factors and assumption methodology                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Risk management                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mortality</b>                                                                               | Mortality relates to the occurrence of death. Mortality is a key assumption for life insurance and certain forms of annuities. Mortality assumptions are based on the Company's internal experience as well as past and emerging industry experience. Assumptions are differentiated by sex, underwriting class, policy type and geographic market. Assumptions are made for future mortality improvements.                                                                                                                                                                                                                   | The Company maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits. Policies in excess of the limits are reinsured with other companies. |
| <b>Morbidity</b>                                                                               | Morbidity relates to the occurrence of accidents and sickness for insured risks. Morbidity is a key assumption for long-term care insurance, disability insurance, critical illness and other forms of individual and group health benefits. Morbidity assumptions are based on the Company's internal experience as well as past and emerging industry experience and are established for each type of morbidity risk and geographic market. Assumptions are made for future morbidity improvements.                                                                                                                         | The Company maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits. Policies in excess of the limits are reinsured with other companies. |
| <b>Policy termination</b>                                                                      | Policies are terminated through lapses and surrenders, where lapses represent the termination of policies due to non-payment of premiums and surrenders represent the voluntary termination of policies by policyholders. Premium persistency represents the level of ongoing deposits on contracts where there is policyholder discretion as to the amount and timing of deposits. Policy termination and premium persistency assumptions are primarily based on the Company's recent experience adjusted for expected future conditions. Assumptions reflect differences by type of contract within each geographic market. | The Company seeks to design products that minimize financial exposure to lapse, surrender and premium persistency risk. The Company monitors lapse, surrender and persistency experience.                                                                                                   |
| <b>Directly attributable expenses</b>                                                          | Directly attributable operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies, including associated directly attributable overhead expenses. The directly attributable expenses are derived from internal cost studies projected into the future with an allowance for inflation. For some developing businesses, there is an expectation that unit costs will decline as these businesses grow.<br><br>Directly attributable acquisitions expenses are derived from internal cost studies.                                                                                  | The Company prices its products to cover the expected costs of servicing and maintaining them. In addition, the Company monitors expenses monthly, including comparisons of actual expenses to expense levels allowed for in pricing and valuation.                                         |
| <b>Tax</b>                                                                                     | Taxes reflect assumptions for future premium taxes and other non-income related taxes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | The Company prices its products to cover the expected cost of taxes.                                                                                                                                                                                                                        |
| <b>Policyholder dividends, experience rating refunds, and other adjustable policy elements</b> | The best estimate projections for policyholder dividends and experience rating refunds, and other adjustable elements of policy benefits are determined to be consistent with management's expectation of how these elements will be managed should experience emerge consistently with the best estimate assumptions.                                                                                                                                                                                                                                                                                                        | The Company monitors policy experience and adjusts policy benefits and other adjustable elements to reflect this experience. Policyholder dividends are reviewed annually for all businesses under a framework of Board-approved policyholder dividend policies.                            |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(g) Significant judgements and estimates (continued)

Fulfilment cash flows (continued)

**Determination of assumptions used (continued)**

The Company reviews actuarial methods and assumptions on an annual basis. If changes are made to non-economic assumptions, the impact based on locked-in economic assumptions would adjust the contractual service margin for general model and VFA contracts if there is any remaining contractual service margin for the group of policies where the change was made. This amount would then be recognized in income over the period of service provided. Changes could also impact net income and other comprehensive income to the extent that the contractual service margin has been depleted, or discount rates are different than the locked-in rates used to quantify changes to the contractual service margin.

Determination of discretionary changes

The terms of some contracts measured under the GMM give the Company discretion over the cash flows to be paid to the policyholders, either in timing or amount. Changes in discretionary cash flows are regarded as relating to future service and accordingly adjust the CSM. The Company determines how to identify a change in discretionary cash flows by specifying the basis on which it expects to determine its commitment under the contract; for example, based on a fixed interest rate, or on returns that vary based on specified asset returns. This determination is specified at the inception of the contract.

Discount rates

Insurance contract cash flows for non-participating business are discounted using risk-free yield curves adjusted by an illiquidity premium to reflect the liquidity characteristics of the liabilities. Cash flows that vary based on returns of underlying items are adjusted to reflect their variability under these adjusted yield curves. Each yield curve is interpolated between the spot rate at the last observable market data point and an ultimate spot rate which reflects the long-term real interest rate plus inflation expectations.

For participating business, insurance contract cash flows that vary based on the return of underlying items are discounted at rates reflecting that variability.

For insurance contracts with cash flows that vary with the return of underlying items and where the present value is measured by stochastic modelling, cash flows are both projected and discounted at scenario specific rates, calibrated on average to be the risk-free yield curves adjusted for liquidity.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(g) Significant judgements and estimates (continued)

Discount rates

The spot rates used for discounting liability cash flows are presented in the following table and include illiquidity premiums determined with reference to net asset spreads indicative of the liquidity characteristics of the liabilities by geography.

| December 31, 2024 |          |                    |                  |               |        |         |          |          |          |          |
|-------------------|----------|--------------------|------------------|---------------|--------|---------|----------|----------|----------|----------|
|                   | Currency | Liquidity category | Observable years | Ultimate year | 1 year | 5 years | 10 years | 20 years | 30 years | Ultimate |
| U.S.              | USD      | Illiquid           | 30               | 70            | 4.48 % | 5.05 %  | 6.01 %   | 6.33 %   | 6.15 %   | 5.15 %   |
|                   |          | More liquid        | 30               | 70            | 4.56 % | 5.09 %  | 5.91 %   | 6.33 %   | 6.14 %   | 5.03 %   |
| Hong Kong         | HKD      | Illiquid           | 15               | 55            | 3.73 % | 4.36 %  | 5.23 %   | 4.70 %   | 4.17 %   | 3.70 %   |
| December 31, 2023 |          |                    |                  |               |        |         |          |          |          |          |
|                   | Currency | Liquidity category | Observable years | Ultimate year | 1 year | 5 years | 10 years | 20 years | 30 years | Ultimate |
| U.S.              | USD      | Illiquid           | 30               | 70            | 5.38 % | 4.54%   | 5.37%    | 5.65%    | 5.27%    | 5.00%    |
|                   |          | More liquid        | 30               | 70            | 5.32%  | 4.57%   | 5.25%    | 5.56%    | 5.18%    | 4.88%    |
| Hong Kong         | HKD      | Illiquid           | 15               | 55            | 4.20%  | 4.01%   | 4.98%    | 4.61%    | 4.19%    | 3.80%    |

Amounts presented in income for policies where changes in assumptions that relate to financial risk do not have a substantial impact on amounts paid to policyholders reflect discount rates locked in beginning with the adoption of HKFRS 17 or locked in at issue for later insurance contracts. These policies include term insurance, guaranteed whole life insurance, and health products including critical illness and long-term care. For policies where changes in assumptions to financial risk have a substantial impact on amounts paid to policyholders, discount rates are updated as future cash flows change due to changes in financial risk, so that the amount presented in income from future changes in financial variables is \$nil. These policies include adjustable universal life contracts. Impacts from differences between current period rates and discount rates used to determine income are presented in other comprehensive income.

Risk adjustment and confidence level used to determine risk adjustment

Risk adjustment for non-financial risk represents the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Company fulfils insurance contracts. The risk adjustment process considers insurance, lapse and expense risks, includes both favourable and unfavourable outcomes, and reflects diversification benefits from the insurance contracts issued.

The Company estimates the risk adjustment using a margin approach. This approach applies a margin for adverse deviation, typically in terms of a percentage of best estimate assumptions, where future cash flows are uncertain. The resulting cash flows are discounted at rates consistent with the best estimate cash flows to arrive at the total risk adjustment. The ranges for these margins are set by the Company and reviewed periodically.

The risk adjustment for non-financial risk for insurance contracts correspond to a 90% - 95% confidence level for all segments.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(g) Significant judgements and estimates (continued)

Investment component, Investment-return service and Investment-related service

The Company identifies the investment component, investment-return service (contract without direct participation features) and investment-related service (contract with direct participation features) of a contract as part of the product governance process.

Investment components are amounts that are to be paid to the policyholder under all circumstances. Investment components are excluded from insurance revenue and insurance service expenses.

Investment-return services and investment-related services are investment services rendered as part of an insurance contract and are part of the insurance contract services provided to the policyholder.

Relative weighting of the benefit provided by insurance coverage, investment-return service and investment related service

The contractual service margin is released into income, when insurance contract services are provided, by using coverage units. Coverage units represent the quantity of service (insurance coverage, investment-return and investment-related services) provided and are determined by considering the benefit provided under the contract and its expected coverage duration. When the relative size of the investment-related service coverage or the investment-return service coverage unit is disproportionate compared to the insurance service coverage unit, or vice-versa, the Company must determine a relative weighting of the services to reflect the delivery of each of those services. The Company identifies the coverage units as part of the product governance process and did not identify contracts where such weighting was required.

(h) Composition of underlying items

The following table sets out the composition and fair value of the underlying items supporting the Company's liabilities for direct participation contracts as at the dates presented.

| Participating            | 2024<br>HK\$'000   | 2023<br>HK\$'000   |
|--------------------------|--------------------|--------------------|
| Listed debt securities   | 118,268,627        | 117,261,786        |
| Listed stocks            | 49,481,689         | 35,322,560         |
| Mortgages                | 1,786,032          | 1,795,679          |
| Unlisted debt securities | 14,553,239         | 13,181,325         |
| Investment property      | 5,844,842          | 5,970,836          |
| Private equities         | 67,003,833         | 52,659,162         |
|                          | <u>256,938,262</u> | <u>226,191,348</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(i) Asset for acquisition cash flows

The following table presents the expected future derecognition of asset for acquisition cash flow as at the dates presented.

| December 31, 2024 |          |                   |           | December 31, 2023 |          |                   |           |
|-------------------|----------|-------------------|-----------|-------------------|----------|-------------------|-----------|
| Less than 1 year  | 1-5 year | More than 5 years | Total     | Less than 1 year  | 1-5 year | More than 5 years | Total     |
| HK\$'000          | HK\$'000 | HK\$'000          | HK\$'000  | HK\$'000          | HK\$'000 | HK\$'000          | HK\$'000  |
| 260,607           | 746,126  | 232,513           | 1,239,246 | 262,738           | 751,145  | 294,344           | 1,308,227 |

(j) Insurance and reinsurance contracts contractual obligation – maturity analysis and amounts payable.

The table below represents the maturities of the insurance contract and reinsurance contract held liabilities as at the dated presented.

| Payments due by period                   | December 31, 2024 |              |              |              |              |               |               |
|------------------------------------------|-------------------|--------------|--------------|--------------|--------------|---------------|---------------|
|                                          | Less than 1 year  | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years  | Total         |
|                                          | HK\$'000          | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000      | HK\$'000      |
| Insurance contract liabilities(1)        | (14,111,233)      | (6,697,796)  | (2,520,613)  | 1,831,484    | 12,032,132   | 1,830,686,665 | 1,821,220,639 |
| Reinsurance contract held liabilities(1) | 1,256             | 1,275        | 1,259        | 1,246        | 1,152        | 16,530        | 22,718        |

| Payments due by period                   | December 31, 2023 |              |              |              |              |               |               |
|------------------------------------------|-------------------|--------------|--------------|--------------|--------------|---------------|---------------|
|                                          | Less than 1 year  | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years  | Total         |
|                                          | HK\$'000          | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000      | HK\$'000      |
| Insurance contract liabilities(1)        | (8,698,458)       | (3,535,785)  | (112,817)    | 3,176,630    | 7,861,292    | 1,242,584,826 | 1,241,275,688 |
| Reinsurance contract held liabilities(1) | 18,202            | 13,613       | 12,116       | 11,886       | 11,581       | 805,446       | 872,844       |

(1) Insurance contract liabilities cash flows include estimates related to the timing and payment of death and disability claims, policy surrenders, policy maturities, annuity payments, minimum guarantees on segregated fund products, policyholder dividends, commissions and premium taxes offset by contractual future premiums on in-force contracts and exclude amount from insurance contract liabilities for account of segregated fund holders. These estimated cash flows are based on the best estimate assumptions used in the determination of insurance contract liabilities. These amounts are undiscounted. Reinsurance contract liabilities cash flows include estimates related to the timing and payment of future reinsurance premiums offset by recoveries on in-force reinsurance agreements. Due to the use of assumptions, actual cash flows may differ from these estimates. Cash flows include embedded derivatives measured separately at fair value.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(k) Actuarial methods and assumptions

The Company performs a comprehensive review of actuarial methods and assumptions annually. The review is designed to reduce the Company's exposure to uncertainty by ensuring assumptions for liability risks remain appropriate. This is accomplished by monitoring experience and updating assumptions that represent a best estimate of expected future experience, and margins that are appropriate for the risks assumed. While the assumptions selected represent the Company's best estimates and assessment of risk, the ongoing monitoring of experience and changes in the economic environment are likely to result in future changes to the actuarial assumptions, which could materially impact the insurance contract liabilities. The changes implemented from the review are generally implemented in the third quarter of each year, however, updates could be made outside the third quarter in certain circumstances.

**2024 Review of Actuarial Methods and Assumptions**

Hong Kong Par Yield Updates - The annual updates to the Valuation Interest Rate as well as dividend glidepath for Par blocks.

Dividend Glidepath Update - It captures the knock-on PfAD impacts of adjusting the dividend glidepath in the valuation model.

Financial BC (GFA) - Financial basis change item update driven by Group:

- Ultimate illiquidity Premium update
- DNV methodology and reference portfolio update
- DNV illiquidity Premium update
- DNV Bond Default Cost update
- Ultimate Risk Free Rate update
- ESG volatility update

Expense Study - Acquisition and Maintenance assumption update

CI Study - Assumption update on CI products including morbidity and mortality assumption.

Hospital Study - Hospital product benefit assumption update

FRR Refinement - Refinements on the disaggregation of Future Reinvestment Rate (FRR) impact to mark-to-market fair value adjustment portion vs DSR portion.

Item Below Threshold - Basis change items with minimal impact are grouped under items below threshold. Below shows items:

- AXIS Update
- RCR assumption update
- PC NLP assumption update
- UL Investment expense assumption update
- Miscellanies bulk release

17 INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

(k) Actuarial methods and assumptions

**2023 Review of Actuarial Methods and Assumptions**

Par Valuation Interest Rate Update - The annual updates to the Valuation Interest Rate (including Par Fund Separation implementation) as well as dividend glidepath for Par blocks.

Dividend Glidepath Update - It captures the knock-on PfAD impacts of adjusting the dividend glidepath in the valuation model

AOD Assumption Update - The AOD assumption update reflects the latest experience review with data spanning 2018 to 2022

NLP Assumption Update - This item refers to the update of premium scaling factor for a few Par Closed products that are supposed to be Net Level Premium basis but modeled as GPV / PPM in AXIS.

NB RA Assumption Update - This item refers to the change in Risk Adjustment (RA) assumption on two par products (ManuGlobal Saver and Prestige Saver). It was adopted earlier in 2023 new business reporting and now also implement on the in-force.

Items Below Threshold - This item contains the following updates: NPGMM modelling Refinement and Par modelling Refinement.

New Business Risk Adjustment Reduction - At transition the margins used to determine the risk adjustment was increased on most products sold in 2021 and after. For any product where the margins were increased, the increase should be reversed. There were no increases to margins outside the ones mentioned (e.g. mortality/morbidity improvement MfADs, other policyholder behaviour MfADs etc), and hence changes to these margins is not expected.

Risk Adjustment Diversification Factor - The diversification factor for Asia is currently 30% on non-par business, 15% for closed participating business, and 0% on open participating and profit-sharing business. For this basis change item, the diversification factor should be increased to 45% on all Asia business.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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18 INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities are contractual financial obligations of the Company that do not contain significant insurance risk. Those contracts are subsequently measured either at FVTPL or at amortized cost.

(a) Investment contract liabilities designated as FVTPL

Investment contract liabilities measured at fair value are designated as FVTPL on initial recognition and include certain investment savings and pension products. The Company does not have any investment contract liabilities that are mandatorily measured at FVTPL.

The following table presents the movement in investment contract liabilities measured at fair value.

| For the years ended December 31                                                 | 2024<br>HK\$'000  | 2023<br>HK\$'000  |
|---------------------------------------------------------------------------------|-------------------|-------------------|
| Balance, excluding those for account of segregated fund holders,<br>January 1   | 321,001           | 296,915           |
| New policies                                                                    | 9,297             | 11,525            |
| Changes in market conditions                                                    | (20,983)          | 31,305            |
| Redemptions, surrenders and maturities                                          | (58,095)          | (18,527)          |
| Impact of changes in foreign exchange rates                                     | 81                | (217)             |
| Balance, excluding those for account of segregated fund holders,<br>December 31 | 251,301           | 321,001           |
| Investment contract liabilities for account of segregated fund holders          | 71,087,866        | 65,903,179        |
| Balance, December 31                                                            | <u>71,339,167</u> | <u>66,224,180</u> |

The amount due to contract holders is contractually determined based on specified assets and therefore, the fair value of the liability is subject to asset specific performance risk and not credit risk and are fully collateralized. The Company has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

(b) Investment contracts contractual obligations

As at December 31, 2024, the Company's contractual obligations and commitments relating to the investment contracts are as follows.

| Payments due by period | Less than 1<br>year<br>HK\$'000 | 1 to 3<br>years<br>HK\$'000 | 3 to 5<br>years<br>HK\$'000 | Over 5<br>years<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------|
| 2024                   | 71,339,167                      | —                           | —                           | —                           | 71,339,167        |
| 2023                   | <u>66,224,180</u>               | <u>—</u>                    | <u>—</u>                    | <u>—</u>                    | <u>66,224,180</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

19 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                                                 | 2024<br>HK\$'000  | 2023<br>HK\$'000 |
|-------------------------------------------------|-------------------|------------------|
| Amounts in respect of direct insurance business | 17,046,147        | 3,777,040        |
| Other accounts payable and accrued liabilities  | 2,603,756         | 2,186,920        |
| Lease liabilities (note 20)                     | 777,590           | 962,515          |
|                                                 | <u>20,427,493</u> | <u>6,926,475</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\$487 million (2023: HK\$431 million).

20 LEASES

**The Company 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:

|                                                 | Right-of-use<br>assets<br>HK\$'000 | Lease<br>liabilities<br>HK\$'000 |
|-------------------------------------------------|------------------------------------|----------------------------------|
| At January 1, 2023                              | 953,806                            | 1,052,754                        |
| Additions                                       | 114,533                            | 113,480                          |
| Depreciation provided during the year (note 25) | (225,833)                          | —                                |
| Interest expense                                | —                                  | 14,366                           |
| Payments                                        | —                                  | (218,085)                        |
| At December 31, 2023 and at January 1, 2024     | <u>842,506</u>                     | <u>962,515</u>                   |
| Additions                                       | 14,843                             | 14,843                           |
| Depreciation provided during the year (note 25) | (215,729)                          | —                                |
| Interest expense                                | —                                  | 13,169                           |
| Payments                                        | —                                  | (212,937)                        |
| At December 31, 2024                            | <u>641,620</u>                     | <u>777,590</u>                   |

The company had no significant profit or loss from subleasing the right-of-use assets or sale and leaseback transactions for the year ended December 31, 2024.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

20 LEASES (continued)

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

|                                                                                                                      | 2024           | 2023           |
|----------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                      | HK\$'000       | HK\$'000       |
| Interest on lease liabilities                                                                                        | 13,169         | 14,366         |
| Depreciation charge of right-of-use assets                                                                           | 215,729        | 225,833        |
| Expense relating to short-term leases and other leases with remaining lease terms ended on or before end of the year | 216            | 2,651          |
| Expense relating to leases of low-value assets (included in general expenses)                                        | 3,356          | 4,196          |
| Total amount recognized in profit or loss                                                                            | <u>232,470</u> | <u>247,046</u> |

**The Company as a lessor**

The Company 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 recognized by the Company during the year was HK\$225 million (2023: HK\$225 million).

At December 31, 2024, undiscounted lease payments receivable by the Company in future periods under non-cancellable operating leases with its tenants are as follows:

|                                        | 2024           | 2023           |
|----------------------------------------|----------------|----------------|
|                                        | HK\$'000       | HK\$'000       |
| Within one year                        | 210,305        | 189,886        |
| After one year but within two years    | 210,298        | 192            |
| After two years but within three years | 209,135        | 114            |
|                                        | <u>629,738</u> | <u>190,192</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

21 SHARE CAPITAL

|                                                                               | 2024<br>HK\$'000  | 2023<br>HK\$'000  |
|-------------------------------------------------------------------------------|-------------------|-------------------|
| Authorised:                                                                   |                   |                   |
| 10% non-cumulative, non-voting, redeemable preference shares of US\$100 each  | 38,782            | 38,782            |
| 8.8% non-cumulative, non-voting preferred shares, Series A of US\$50 each     | 1,548,000         | 1,548,000         |
| Common shares of US\$1 each                                                   | 37,178,147        | 37,178,147        |
|                                                                               | <u>38,764,929</u> | <u>38,764,929</u> |
| Issued and fully paid:                                                        |                   |                   |
| 2,034,741,502 (2023:2,034,741,502) 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<br>shares | Issued<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------------------|----------------------------|-------------------------------|------------------------------|-------------------|
| At January 1, 2023,<br>December 31, 2023 and 2024 | <u>2,034,741,502</u>       | <u>15,791,430</u>             | <u>2,145,943</u>             | <u>17,937,373</u> |

22 DIVIDENDS

Dividends paid during the year are as follows:

|                                                      | 2024<br>HK\$'000  | 2023<br>HK\$'000 |
|------------------------------------------------------|-------------------|------------------|
| Common shares: US\$0.728 per share (2023: US\$0.250) | <u>11,560,193</u> | <u>3,989,440</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

23 INVESTMENT INCOME

| For the year ended December 31, 2024            | FVTPL             | FVOCI              | Amortized cost | Total             |
|-------------------------------------------------|-------------------|--------------------|----------------|-------------------|
|                                                 | HK\$'000          | HK\$'000           | HK\$'000       | HK\$'000          |
| Cash and bank balances                          |                   |                    |                |                   |
| Interest income                                 | —                 | —                  | 236,141        | 236,141           |
| Listed debt securities                          |                   |                    |                |                   |
| Interest income                                 | 5,862,943         | 10,811             | —              | 5,873,754         |
| Gains (losses)(2)                               | 1,382,458         | (3,836,586)        | —              | (2,454,128)       |
| Impairment loss, net(3)                         | —                 | 69,258             | —              | 69,258            |
| Listed stocks                                   |                   |                    |                |                   |
| Dividend income                                 | 305,399           | —                  | —              | 305,399           |
| Gains (losses)(2)                               | 770,396           | —                  | —              | 770,396           |
| Mortgages                                       |                   |                    |                |                   |
| Interest income                                 | —                 | 59,440             | —              | 59,440            |
| Gains (losses)(2)                               | —                 | (162,155)          | —              | (162,155)         |
| Provision, net                                  | —                 | 550                | —              | 550               |
| Unlisted debt securities                        |                   |                    |                |                   |
| Interest income                                 | —                 | 682,819            | —              | 682,819           |
| Gains (losses)(2)                               | —                 | (552,825)          | —              | (552,825)         |
| Impairment loss, net(3)                         | —                 | (32,905)           | —              | (32,905)          |
| Investment property                             |                   |                    |                |                   |
| Rental income, net of depreciation(1)           | 194,180           | —                  | —              | 194,180           |
| Gains (losses)(2)                               | (126,000)         | —                  | —              | (126,000)         |
| Impairment loss, net(3)                         | —                 | —                  | —              | —                 |
| Derivatives                                     |                   |                    |                |                   |
| Interest income, net                            | (54,164)          | —                  | —              | (54,164)          |
| Gains (losses)(2)                               | (2,601,844)       | —                  | —              | (2,601,844)       |
| Unlisted unit-linked funds and private equities |                   |                    |                |                   |
| Dividend income                                 | 2,177,094         | —                  | —              | 2,177,094         |
| Gains (losses)(2)                               | 8,901,509         | —                  | —              | 8,901,509         |
| Impairment loss, net(3)                         | —                 | (5,332)            | —              | (5,332)           |
| <b>Total investment income (loss)</b>           | <b>16,811,971</b> | <b>(3,766,925)</b> | <b>236,141</b> | <b>13,281,187</b> |

(1) Rental income from investment property is net of direct operating expenses.

(2) Includes net realized and unrealized gains (losses) for financial instruments at FVTPL, and other invested assets measured at fair value. Also includes net realized gains (losses) for financial instruments at FVOCI.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

23 INVESTMENT INCOME (continued)

| For the year ended December 31, 2024                                                                      | FVTPL       | FVOCI       | Amortized cost | Total             |
|-----------------------------------------------------------------------------------------------------------|-------------|-------------|----------------|-------------------|
|                                                                                                           | HK\$'000    | HK\$'000    | HK\$'000       | HK\$'000          |
| Investment income                                                                                         |             |             |                |                   |
| Interest income                                                                                           | 5,808,779   | 753,070     | 236,141        | 6,797,990         |
| Dividends, rental income and other income                                                                 | 2,676,673   | —           | —              | 2,676,673         |
| Impairments, provisions and recoveries, net(3)                                                            | —           | 31,571      | —              | 31,571            |
|                                                                                                           | 8,485,452   | 784,641     | 236,141        | 9,506,234         |
| Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities |             |             |                |                   |
| Listed debt securities                                                                                    | 1,382,458   | (3,836,586) | —              | (2,454,128)       |
| Listed stocks                                                                                             | 770,396     | —           | —              | 770,396           |
| Mortgages                                                                                                 | —           | (162,155)   | —              | (162,155)         |
| Unlisted debt securities                                                                                  | —           | (552,825)   | —              | (552,825)         |
| Investment property                                                                                       | (126,000)   | —           | —              | (126,000)         |
| Unlisted unit-linked funds and private equities                                                           | 8,901,509   | —           | —              | 8,901,509         |
| Derivatives                                                                                               | (2,601,844) | —           | —              | (2,601,844)       |
|                                                                                                           | 8,326,519   | (4,551,566) | —              | 3,774,953         |
| <b>Total investment income (loss)</b>                                                                     | 16,811,971  | (3,766,925) | 236,141        | 13,281,187        |
| Investment expenses                                                                                       |             |             |                | (243,005)         |
| <b>Net investment income (loss)</b>                                                                       |             |             |                | <u>13,038,182</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

23 INVESTMENT INCOME (continued)

| For the year ended December 31, 2023            | FVTPL<br>HK\$'000 | FVOCI<br>HK\$'000 | Amortized cost<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------------------|-------------------|-------------------|----------------------------|-------------------|
| Cash and bank balances                          |                   |                   |                            |                   |
| Interest income                                 | —                 | —                 | 177,319                    | 177,319           |
| Listed debt securities                          |                   |                   |                            |                   |
| Interest income                                 | 5,105,551         | 193,694           | —                          | 5,299,245         |
| Gains (losses)(2)                               | 435,961           | (277,109)         | —                          | 158,852           |
| Impairment loss, net(3)                         | —                 | (38,538)          | —                          | (38,538)          |
| Listed stocks                                   |                   |                   |                            |                   |
| Dividend income                                 | 839,765           | —                 | —                          | 839,765           |
| Gains (losses)(2)                               | 3,040,079         | —                 | —                          | 3,040,079         |
| Mortgages                                       |                   |                   |                            |                   |
| Interest income                                 | —                 | 63,786            | —                          | 63,786            |
| Gains (losses)(2)                               | —                 | 50,135            | —                          | 50,135            |
| Provision, net                                  | —                 | (260)             | —                          | (260)             |
| Unlisted debt securities                        |                   |                   |                            |                   |
| Interest income                                 | —                 | 519,293           | —                          | 519,293           |
| Gains (losses)(2)                               | —                 | 191,045           | —                          | 191,045           |
| Impairment loss, net(3)                         | —                 | 5,925             | —                          | 5,925             |
| Investment property                             |                   |                   |                            |                   |
| Rental income, net of depreciation(1)           | 327,425           | —                 | —                          | 327,425           |
| Gains (losses)(2)                               | (250,000)         | —                 | —                          | (250,000)         |
| Impairment loss, net(3)                         | —                 | —                 | —                          | —                 |
| Derivatives                                     |                   |                   |                            |                   |
| Interest income, net                            | (96,416)          | —                 | —                          | (96,416)          |
| Gains (losses)(2)                               | 1,994,103         | —                 | —                          | 1,994,103         |
| Unlisted unit-linked funds and private equities |                   |                   |                            |                   |
| Gains (losses)(2)                               | 4,181,524         | —                 | —                          | 4,181,524         |
| Impairment loss, net(3)                         | —                 | (2,186)           | —                          | (2,186)           |
| <b>Total investment income (loss)</b>           | <b>15,577,992</b> | <b>705,785</b>    | <b>177,319</b>             | <b>16,461,096</b> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

23 INVESTMENT INCOME (continued)

| For the year ended December 31, 2023                                                                      | FVTPL      | FVOCI     | Amortized<br>cost | Total             |
|-----------------------------------------------------------------------------------------------------------|------------|-----------|-------------------|-------------------|
|                                                                                                           | HK\$'000   | HK\$'000  | HK\$'000          | HK\$'000          |
| Investment income                                                                                         |            |           |                   |                   |
| Interest income                                                                                           | 5,009,135  | 776,773   | 177,319           | 5,963,227         |
| Dividends, rental income and other income                                                                 | 1,167,190  | —         | —                 | 1,167,190         |
| Impairments, provisions and recoveries, net(3)                                                            | —          | (35,059)  | —                 | (35,059)          |
|                                                                                                           | 6,176,325  | 741,714   | 177,319           | 7,095,358         |
| Realized and unrealized gains (losses) on assets supporting insurance and investment contract liabilities |            |           |                   |                   |
| Listed debt securities                                                                                    | 435,961    | (277,109) | —                 | 158,852           |
| Listed stocks                                                                                             | 3,040,079  | —         | —                 | 3,040,079         |
| Mortgages                                                                                                 | —          | 50,135    | —                 | 50,135            |
| Unlisted debt securities                                                                                  | —          | 191,045   | —                 | 191,045           |
| Investment property                                                                                       | (250,000)  | —         | —                 | (250,000)         |
| Unlisted unit-linked funds and private equities                                                           | 4,181,524  | —         | —                 | 4,181,524         |
| Derivatives                                                                                               | 1,994,103  | —         | —                 | 1,994,103         |
|                                                                                                           | 9,401,667  | (35,929)  | —                 | 9,365,738         |
| <b>Total investment income (loss)</b>                                                                     | 15,577,992 | 705,785   | 177,319           | 16,461,096        |
| Investment expenses                                                                                       |            |           |                   | (314,902)         |
| <b>Net investment income (loss)</b>                                                                       |            |           |                   | <u>16,146,194</u> |

24 OTHER REVENUE

|                               | 2024             | 2023             |
|-------------------------------|------------------|------------------|
|                               | HK\$'000         | HK\$'000         |
| Management fees               | 3,318,610        | 2,986,514        |
| Policy and redemption charges | 1,605            | (3,396)          |
| Others                        | 382,125          | 22,929           |
|                               | <u>3,702,340</u> | <u>3,006,047</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

25 GENERAL EXPENSE

|                                                                                                                      | Notes | 2024<br>HK\$'000 | 2023<br>HK\$'000 |
|----------------------------------------------------------------------------------------------------------------------|-------|------------------|------------------|
| Commission and other acquisition expenses incurred                                                                   |       | 12,354,587       | 7,274,451        |
| Employee benefits expense                                                                                            |       | 1,529,130        | 1,286,044        |
| Depreciation charge of right-of-use assets                                                                           | 20    | 215,729          | 225,833          |
| Expense relating to short-term leases and other leases with remaining lease terms ended on or before end of the year | 20    | 216              | 2,651            |
| Expense relating to leases of low-value assets                                                                       | 20    | 3,356            | 4,196            |
| Amortization of intangible assets                                                                                    | 4     | 30,475           | 30,308           |
| Intangible asset write off                                                                                           | 4     | —                | 11,888           |
| Depreciation                                                                                                         | 5     | 222,117          | 173,599          |
| Auditor's remuneration                                                                                               |       | 12,966           | 17,535           |
| Other expenses                                                                                                       |       | 399,483          | 621,922          |
| Amounts attributed to insurance acquisition cash flows                                                               |       | (13,112,034)     | (8,048,363)      |
| Amounts deferred as Insurance acquisition cash flows for insurance contracts                                         |       | (227,199)        | (225,960)        |
|                                                                                                                      |       | <u>1,428,826</u> | <u>1,374,104</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

26 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 recognized over these periods, except where the employee is eligible to retire prior to a vesting date, in which case the cost is recognized over the period between the grant date and the date on which the employee is eligible to retire.

There are no ESOP outstanding as at the end of the reporting period.

The fair value of RSUs and PSUs granted during the year was HK\$52 million (2023: HK\$39 million).

As at December 31, 2024, the carrying value of the RSU and PSU liabilities amounted to HK\$103 million (2023: HK\$66 million).

No stock options were granted in 2024 and 2023.

27 DIRECTORS' REMUNERATION

The directors received remuneration for their services rendered to the Company for the year amounting to HK\$15 million (2023: HK\$9 million).

The aggregate amount of remuneration of the three highest paid directors amounted to HK\$15 million (2023: HK\$9 million).

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

28 PROFIT BEFORE TAX

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

|                                                                                                                          | Notes | 2024<br>HK\$'000   | 2023<br>HK\$'000 |
|--------------------------------------------------------------------------------------------------------------------------|-------|--------------------|------------------|
| Staff costs:                                                                                                             |       |                    |                  |
| Wages and salaries                                                                                                       |       | 1,428,397          | 1,202,104        |
| Pension contribution from employer                                                                                       |       | 74,323             | 59,297           |
| Share-based payment expenses                                                                                             |       | 26,410             | 24,643           |
|                                                                                                                          |       | <u>1,529,130</u>   | <u>1,286,044</u> |
| Interest on lease liabilities                                                                                            | 20    | 13,169             | 14,366           |
| Depreciation charge of right-of-use assets                                                                               | 20    | 215,729            | 225,833          |
| Amortization of intangible assets                                                                                        | 4     | 30,475             | 30,308           |
| Impairment of intangible assets                                                                                          | 4     | —                  | 11,888           |
| Depreciation                                                                                                             | 5     | 222,117            | 173,599          |
| Auditor's remuneration                                                                                                   |       | 12,966             | 17,535           |
| Realized loss on debt securities                                                                                         |       | 3,878,117          | 819,793          |
| Realized (gain)/ loss on equity securities, unlisted unit-linked funds and derivative financial instruments              |       | (12,758,889)       | 1,904,060        |
| Unrealized loss / (gain) in value of listed investments, unlisted unit-linked funds and derivative financial instruments |       | 4,817,665          | (12,289,458)     |
| Fair value loss on investment property                                                                                   | 7     | 126,000            | 250,000          |
| Interest income on debt securities                                                                                       |       | (6,556,573)        | (5,818,538)      |
| Dividend income                                                                                                          |       | <u>(2,482,493)</u> | <u>(839,765)</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

29 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 (2022: 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 Company operates, based on existing legislation, interpretation and practices in respect thereof.

|                                                        | 2024<br>HK\$'000 | 2023<br>HK\$'000 |
|--------------------------------------------------------|------------------|------------------|
| Current tax charge for the year - Hong Kong            | —                | 122,885          |
| Over provision in prior year                           | (24,029)         | (857)            |
| Current tax charge for the year - elsewhere            | 63,439           | 49,978           |
| Deferred tax charge/ (credit) for the year - Hong Kong | (125,697)        | (26,468)         |
| Deferred tax charge for the year - elsewhere (note12)  | 948              | 10,260           |
| Total tax (credit)/ charge for the year                | <u>(85,339)</u>  | <u>155,798</u>   |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

29 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:

|                                                                                                        | 2024<br>HK\$'000       | 2023<br>HK\$'000      |
|--------------------------------------------------------------------------------------------------------|------------------------|-----------------------|
| Profit before tax from continuing operations                                                           | 10,178,201             | 8,308,861             |
| Less: (Profit)/ loss attributable to businesses on which profits tax is levied based on premium income | (8,104,739)            | (6,413,017)           |
| Profit/ (loss) attributable to businesses on which profits tax is levied based on the results          | <u>2,073,462</u>       | <u>1,895,844</u>      |
| Tax at the statutory tax rate (note a)                                                                 | 341,956                | 312,649               |
| Tax effect of income not subject to tax                                                                | (71,827)               | (90,967)              |
| Tax effect of tax losses not recognized                                                                | 129,570                | —                     |
| Tax effect of retirement scheme management accounting profits not subject to tax                       | (745,032)              | (379,141)             |
| Overprovision of profits tax in prior year                                                             | (24,029)               | (857)                 |
| Others                                                                                                 | <u>(7,543)</u>         | <u>(25,114)</u>       |
| Tax charge for businesses for which profits tax is levied based on the results in Hong Kong            | (376,905)              | (183,430)             |
| Tax charge for businesses for which profits tax is levied based on premium income in Hong Kong         | 352,876                | 305,458               |
| Deferred tax credit for the year – Hong Kong                                                           | (125,697)              | (26,468)              |
| Current tax charge for the year – elsewhere (note b)                                                   | 63,439                 | 49,978                |
| Deferred tax charge/ (credit) for the year – elsewhere (note b)                                        | <u>948</u>             | <u>10,260</u>         |
| Total tax (credit)/ charge for the year                                                                | <u><u>(85,339)</u></u> | <u><u>155,798</u></u> |

Notes:

- (a) Statutory tax rate is referring to Hong Kong profits tax rate at 8.25% for first HK\$2 millions and at 16.5% for the remaining assessable profits.
- (b) Macau profits tax has been provided at the rate of 12%.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

29 INCOME TAXES (continued)

(c) OECD Pillar Two Model Rules

The Company is subject to the global minimum top-up tax Pillar Two Rules. Pillar Two Rules will be enacted in Hong Kong, jurisdiction in which the Company operates, and will come into effect from 2025 onwards. Since the Pillar Two Rules were not yet effective at the reporting date, the Company has no related current tax exposure. The Company has applied the temporary exception from recognizing and disclosing deferred tax assets and liabilities for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Based on currently available information, the Company anticipates that such exposures may arise from 2025 onwards. However, due to significant areas of uncertainty in the application of the legislation, the quantitative impact of the Pillar Two legislation enacted or substantively enacted at the reporting date, but not yet effective, is not yet known or reasonably estimable. The Company expects to be able to determine its Pillar Two income tax liabilities for reporting periods ending after 31 December 2024, as the legislation becomes less uncertain.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

30 COMMITMENTS

(a) Derivatives commitments

At the end of the reporting period, the Company had outstanding equity index futures contracts amounting to HK\$72 million (2023: HK\$484 million) in relation to the life insurance business.

(b) Capital commitments

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

|                  | 2024<br>HK\$'000  | 2023<br>HK\$'000  |
|------------------|-------------------|-------------------|
| On demand (note) | <u>35,361,218</u> | <u>27,824,429</u> |

Note:

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

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

31 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  | 2024<br>HK\$'000 | 2023<br>HK\$'000 |
|--------------------------------------------------------------------------------|--------|------------------|------------------|
| Manulife Provident Funds Trust Company Limited                                 |        |                  |                  |
| Management service fee income                                                  | (i)    | 3,906,707        | 3,441,304        |
| Manulife Investment Management (Hong Kong) Limited                             |        |                  |                  |
| Trailer fee income                                                             | (ii)   | 145,355          | 159,989          |
| Rental income                                                                  | (iii)  | 14,148           | 14,148           |
| Investment management service fee                                              | (iv)   | (130,026)        | (160,243)        |
| Administration and service fees                                                | (v)    | (58,712)         | (58,889)         |
| Manulife General Account Investments (HK) Limited                              |        |                  |                  |
| Investment management service fee                                              | (iv)   | (703,344)        | (569,822)        |
| Manufacturers Life Insurance Company ("MLI")                                   |        |                  |                  |
| Management fee expense                                                         | (vi)   | (148,720)        | (92,594)         |
| Manulife (Singapore) Pte. Ltd.                                                 |        |                  |                  |
| Reinsurance premiums accepted                                                  | (vii)  | 152,217          | 128,974          |
| Reinsurance claims                                                             | (vii)  | (105,706)        | (76,448)         |
| Manulife (Vietnam) Limited                                                     |        |                  |                  |
| Reinsurance premiums accepted                                                  | (vii)  | 63,500           | 68,149           |
| Reinsurance claims                                                             | (vii)  | (26,611)         | (14,670)         |
| PT Asuransi Jiwa Manulife Indonesia                                            |        |                  |                  |
| Reinsurance premiums accepted                                                  | (vii)  | 18,808           | 20,472           |
| Reinsurance claims                                                             | (vii)  | (11,256)         | (11,579)         |
| Manulife Data Services Inc. ("MDSI")                                           |        |                  |                  |
| Business processing service fee                                                | (viii) | (26,586)         | (25,282)         |
| Manulife Information & Technologies Service (Chengdu) Company Limited ("MITS") |        |                  |                  |
| Business processing service fee                                                | (viii) | (301,493)        | (272,716)        |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

31 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)

|                                                 |       | 2024             | 2023             |
|-------------------------------------------------|-------|------------------|------------------|
|                                                 | Notes | HK\$'000         | HK\$'000         |
| Manulife Financial Asia Limited ("MFAL")        |       |                  |                  |
| Interest income on loan                         | (ix)  | 3,962            | 6,684            |
| Rental income                                   | (iii) | 185,551          | 184,222          |
| Administration and service fees                 | (x)   | (1,043,990)      | (990,149)        |
| Recharge relating to distribution services      | (xi)  | (228,771)        | (199,524)        |
| Manufacturers Life Reinsurance Limited ("MLRL") |       |                  |                  |
| Reinsurance premium ceded                       | (xii) | (4,532,447)      | (4,744,348)      |
| Investment loss/ (gain) ceded                   | (xii) | (2,768,965)      | (3,652,467)      |
| Expense allowance ceded                         | (xii) | 308,834          | 329,250          |
| Policyholder benefits ceded                     | (xii) | <u>3,628,335</u> | <u>3,336,788</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 Company 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 Company and Manulife Investment Management (Hong Kong) Limited.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

31 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)

- vi. The management fee was allocated by MLI and was determined by the MLI and the Company.
- vii. The reinsurance premiums accepted and reinsurance claims were based on the Automatic Reinsurance Agreement between the Company and Manulife (Singapore) Pte. Ltd. and Manulife (Vietnam) Limited 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 Company and MFAL.
- 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 Company:

|                                                     | 2024<br>HK\$'000 | 2023<br>HK\$'000 |
|-----------------------------------------------------|------------------|------------------|
| Short term employee benefits                        | 11,659           | 6,666            |
| Post-employment benefits                            | 289              | 244              |
| Share-based payments                                | 3,333            | 1,775            |
| Total compensation paid to key management personnel | <u>15,281</u>    | <u>8,685</u>     |

Further details of directors' remunerations are included in note 27 to the financial statements.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

32 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying values of each of the categories of financial instruments as at December 31, 2024 and 2023 are as follows:

**2024**

| <b>Financial assets</b>                   | FVTPL              | FVOCI              | Amortized cost    | Total              |
|-------------------------------------------|--------------------|--------------------|-------------------|--------------------|
|                                           | HK\$'000           | HK\$'000           | HK\$'000          | HK\$'000           |
| Mortgage and other loans                  | —                  | 1,786,032          | —                 | 1,786,032          |
| Accrued investment income                 | —                  | —                  | 2,324,694         | 2,324,694          |
| Loan to an intermediate holding company   | —                  | —                  | 160,721           | 160,721            |
| Amounts due from affiliates               | —                  | —                  | 992,912           | 992,912            |
| Financial assets included in other assets | —                  | —                  | 5,499,831         | 5,499,831          |
| Investment securities                     | 125,836,391        | 178,901,708        | —                 | 304,738,099        |
| Derivative financial instruments          | 6,302,804          | —                  | —                 | 6,302,804          |
| Cash and bank balances                    | —                  | —                  | 4,808,096         | 4,808,096          |
| <b>Total financial assets</b>             | <b>132,139,195</b> | <b>180,687,740</b> | <b>13,786,254</b> | <b>326,613,189</b> |

| <b>Financial liabilities</b>                       | FVTPL            | Amortized cost    | Total             |
|----------------------------------------------------|------------------|-------------------|-------------------|
|                                                    | HK\$'000         | HK\$'000          | HK\$'000          |
| Amount due to affiliates                           | —                | 1,846,515         | 1,846,515         |
| Derivative financial instruments                   | 9,124,188        | —                 | 9,124,188         |
| Financial liabilities included in accounts payable | 487,088          | 18,222,196        | 18,709,284        |
| <b>Total financial liabilities</b>                 | <b>9,611,276</b> | <b>20,068,711</b> | <b>29,679,987</b> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

32 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying values of each of the categories of financial instruments as at December 31, 2024 and 2023 are as follows: (continued)

**2023**

| <b>Financial assets</b>                   | FVTPL              | FVOCI              | Amortized cost    | Total              |
|-------------------------------------------|--------------------|--------------------|-------------------|--------------------|
|                                           | HK\$'000           | HK\$'000           | HK\$'000          | HK\$'000           |
| Mortgage and other loans                  | —                  | 1,795,679          | —                 | 1,795,679          |
| Accrued investment income                 | —                  | —                  | 2,139,034         | 2,139,034          |
| Loan to an intermediate holding company   | —                  | —                  | 320,370           | 320,370            |
| Amounts due from affiliates               | —                  | —                  | 1,004,878         | 1,004,878          |
| Financial assets included in other assets | —                  | —                  | 5,786,572         | 5,786,572          |
| Investment securities                     | 99,492,428         | 174,203,448        | —                 | 273,695,876        |
| Derivative financial instruments          | 5,430,420          | —                  | —                 | 5,430,420          |
| Cash and bank balances                    | —                  | —                  | 8,123,733         | 8,123,733          |
| <b>Total financial assets</b>             | <b>104,922,848</b> | <b>175,999,127</b> | <b>17,374,587</b> | <b>298,296,562</b> |

| <b>Financial liabilities</b>                       | FVTPL            | Amortized cost   | Total             |
|----------------------------------------------------|------------------|------------------|-------------------|
|                                                    | HK\$'000         | HK\$'000         | HK\$'000          |
| Amount due to affiliates                           | —                | 1,623,003        | 1,623,003         |
| Derivative financial instruments                   | 5,810,926        | —                | 5,810,926         |
| Financial liabilities included in accounts payable | 431,364          | 4,781,809        | 5,213,173         |
| <b>Total financial liabilities</b>                 | <b>6,242,290</b> | <b>6,404,812</b> | <b>12,647,102</b> |

Notes:

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).

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

33 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, 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 2024 and 2023, no reported NAV has been adjusted. The directors believe that the fair values resulting from the reported NAV, which are recorded in the 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 Company 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.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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33 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, 2024 and 2023.

| December 31, 2024                                                                    |       | Level 1                                           | Level 2                                         | Level 3                                           |                              |
|--------------------------------------------------------------------------------------|-------|---------------------------------------------------|-------------------------------------------------|---------------------------------------------------|------------------------------|
|                                                                                      | Notes | Quoted prices<br>in active<br>markets<br>HK\$'000 | Significant<br>observable<br>inputs<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>HK\$'000 | Total fair value<br>HK\$'000 |
| <b>Financial assets designated at fair value through other comprehensive income:</b> |       |                                                   |                                                 |                                                   |                              |
| Listed debt securities                                                               | 14    | 163,200,093                                       | —                                               | —                                                 | 163,200,093                  |
| Unlisted debt securities                                                             | 14    | —                                                 | 15,701,615                                      | —                                                 | 15,701,615                   |
|                                                                                      |       | 163,200,093                                       | 15,701,615                                      | —                                                 | 178,901,708                  |
| <b>Financial assets designated at fair value through profit or loss:</b>             |       |                                                   |                                                 |                                                   |                              |
| Listed debt securities                                                               | 14    | 227,395                                           | —                                               | —                                                 | 227,395                      |
| Listed stocks                                                                        | 14    | 55,006,380                                        | —                                               | —                                                 | 55,006,380                   |
| Unlisted unit-linked funds                                                           | 14    | —                                                 | 1,853,752                                       | —                                                 | 1,853,752                    |
| Private equities                                                                     | 14    | —                                                 | —                                               | 68,748,864                                        | 68,748,864                   |
|                                                                                      |       | 55,233,775                                        | 1,853,752                                       | 68,748,864                                        | 125,836,391                  |
| <b>Derivative financial instruments:</b>                                             |       |                                                   |                                                 |                                                   |                              |
| Forward currency contracts                                                           | 15    | —                                                 | 4,468,212                                       | —                                                 | 4,468,212                    |
| Interest rate swap                                                                   | 15    | —                                                 | 527,656                                         | —                                                 | 527,656                      |
| Futures contracts                                                                    | 15    | 1,285,906                                         | 18,455                                          | —                                                 | 1,304,361                    |
| Equity swaps                                                                         | 15    | —                                                 | 2,575                                           | —                                                 | 2,575                        |
|                                                                                      |       | 1,285,906                                         | 5,016,898                                       | —                                                 | 6,302,804                    |
| <b>Total financial assets</b>                                                        |       | 219,719,774                                       | 22,572,265                                      | 68,748,864                                        | 311,040,903                  |

| December 31, 2024                                                             |      | Level 1                                           | Level 2                                         | Level 3                                           |                              |
|-------------------------------------------------------------------------------|------|---------------------------------------------------|-------------------------------------------------|---------------------------------------------------|------------------------------|
|                                                                               | Note | Quoted prices<br>in active<br>markets<br>HK\$'000 | Significant<br>observable<br>inputs<br>HK\$'000 | Significant<br>unobservable<br>inputs<br>HK\$'000 | Total fair value<br>HK\$'000 |
| <b>Financial liabilities designated at fair value through profit or loss:</b> |      |                                                   |                                                 |                                                   |                              |
| Financial liabilities included in accounts payable                            |      | 487,088                                           | —                                               | —                                                 | 487,088                      |
| <b>Derivative financial instruments:</b>                                      |      |                                                   |                                                 |                                                   |                              |
| Forward currency contracts                                                    | 15   | —                                                 | 201,551                                         | —                                                 | 201,551                      |
| Interest rate swap                                                            | 15   | —                                                 | 3,385,123                                       | —                                                 | 3,385,123                    |
| Futures contracts                                                             | 15   | 81,105                                            | 5,456,409                                       | —                                                 | 5,537,514                    |
|                                                                               |      | 81,105                                            | 9,043,083                                       | —                                                 | 9,124,188                    |
| <b>Total financial liabilities</b>                                            |      | 568,193                                           | 9,043,083                                       | —                                                 | 9,611,276                    |

MANULIFE (INTERNATIONAL) LIMITED

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33 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

| December 31, 2023                                                                    |       | Level 1                                                      | Level 2                                                    | Level 3                                                      |                              |
|--------------------------------------------------------------------------------------|-------|--------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|------------------------------|
|                                                                                      | Notes | Quoted prices<br>in active<br>markets<br>HK\$'000            | Significant<br>observable<br>inputs<br>HK\$'000            | Significant<br>unobservable<br>inputs<br>HK\$'000            | Total fair value<br>HK\$'000 |
| <b>Financial assets designated at fair value through other comprehensive income:</b> |       |                                                              |                                                            |                                                              |                              |
| Listed debt securities                                                               | 14    | 159,670,559                                                  | —                                                          | —                                                            | 159,670,559                  |
| Unlisted debt securities                                                             | 14    | —                                                            | 14,532,889                                                 | —                                                            | 14,532,889                   |
|                                                                                      |       | 159,670,559                                                  | 14,532,889                                                 | —                                                            | 174,203,448                  |
| <b>Financial assets designated at fair value through profit or loss:</b>             |       |                                                              |                                                            |                                                              |                              |
| Listed debt securities                                                               | 14    | 7,724,060                                                    | —                                                          | —                                                            | 7,724,060                    |
| Listed stocks                                                                        | 14    | 36,016,747                                                   | —                                                          | —                                                            | 36,016,747                   |
| Unlisted unit-linked funds                                                           | 14    | —                                                            | 1,663,597                                                  | —                                                            | 1,663,597                    |
| Private equities                                                                     | 14    | —                                                            | —                                                          | 54,088,024                                                   | 54,088,024                   |
|                                                                                      |       | 43,740,807                                                   | 1,663,597                                                  | 54,088,024                                                   | 99,492,428                   |
| <b>Derivative financial instruments:</b>                                             |       |                                                              |                                                            |                                                              |                              |
| Forward currency contracts                                                           | 15    | —                                                            | 3,152,572                                                  | —                                                            | 3,152,572                    |
| Interest rate swap                                                                   | 15    | —                                                            | 103,380                                                    | —                                                            | 103,380                      |
| Futures contracts                                                                    | 15    | 90,761                                                       | 2,082,702                                                  | —                                                            | 2,173,463                    |
| Equity swaps                                                                         | 15    | —                                                            | 1,005                                                      | —                                                            | 1,005                        |
|                                                                                      |       | 90,761                                                       | 5,339,659                                                  | —                                                            | 5,430,420                    |
| <b>Total financial assets</b>                                                        |       | 203,502,127                                                  | 21,536,145                                                 | 54,088,024                                                   | 279,126,296                  |
| <b>December 31, 2023</b>                                                             |       |                                                              |                                                            |                                                              |                              |
|                                                                                      | Note  | Level 1<br>Quoted prices<br>in active<br>markets<br>HK\$'000 | Level 2<br>Significant<br>observable<br>inputs<br>HK\$'000 | Level 3<br>Significant<br>unobservable<br>inputs<br>HK\$'000 | Total fair value<br>HK\$'000 |
| <b>Financial liabilities designated at fair value through profit or loss:</b>        |       |                                                              |                                                            |                                                              |                              |
| Financial liabilities included in accounts payable                                   |       | 431,364                                                      | —                                                          | —                                                            | 431,364                      |
| <b>Derivative financial instruments:</b>                                             |       |                                                              |                                                            |                                                              |                              |
| Forward currency contracts                                                           | 15    | —                                                            | 582,254                                                    | —                                                            | 582,254                      |
| Interest rate swap                                                                   | 15    | —                                                            | 3,084,731                                                  | —                                                            | 3,084,731                    |
| Futures contracts                                                                    | 15    | 354,292                                                      | 1,789,649                                                  | —                                                            | 2,143,941                    |
|                                                                                      |       | 354,292                                                      | 5,456,634                                                  | —                                                            | 5,810,926                    |
| <b>Total financial liabilities</b>                                                   |       | 785,656                                                      | 5,456,634                                                  | —                                                            | 6,242,290                    |

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NOTES TO FINANCIAL STATEMENTS

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33 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

| Financial assets<br>designated at fair<br>value through<br>profit or loss: | At January 1,<br>2024<br>HK\$'000 | Total gain in<br>statement of<br>profit or loss<br>HK\$'000 | Purchases<br>HK\$'000 | Redemption<br>HK\$'000 | At December<br>31, 2024<br>HK\$'000 | Total gain for the<br>year included in<br>profit or loss for<br>assets held at<br>December 31,<br>2024<br>HK\$'000 |
|----------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------|-----------------------|------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Private equities                                                           | 54,088,024                        | 3,473,496                                                   | 17,114,740            | (5,927,396)            | 68,748,864                          | 3,473,496                                                                                                          |

| Financial assets<br>designated at fair<br>value through<br>profit or loss: | At January 1,<br>2023<br>HK\$'000 | Total gain in<br>statement of<br>profit or loss<br>HK\$'000 | Purchases<br>HK\$'000 | Redemption<br>HK\$'000 | At December<br>31, 2023<br>HK\$'000 | Total gain for the<br>year included in<br>profit or loss for<br>assets held at<br>December 31,<br>2023<br>HK\$'000 |
|----------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------|-----------------------|------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Private equities                                                           | 42,320,326                        | 2,988,541                                                   | 33,423,168            | (24,644,011)           | 54,088,024                          | 2,988,541                                                                                                          |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

33 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 (realized and unrealized) included in profit or loss for the year are presented in the statement of profit or loss as follows:

|                                                                                                             | 2024                    |                         |           |
|-------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|-----------|
|                                                                                                             | Realized                | Fair value              | Total     |
|                                                                                                             | gain/(loss)<br>HK\$'000 | gain/(loss)<br>HK\$'000 | HK\$'000  |
| Total gain/ (loss) included in profit or loss for the year                                                  | —                       | 3,473,496               | 3,473,496 |
| Total gain/ (loss) included in profit or loss for the year for assets held at the end of the reporting year | —                       | 3,473,496               | 3,473,496 |
|                                                                                                             |                         |                         |           |
|                                                                                                             | 2023                    |                         |           |
|                                                                                                             | Realized                | Fair value              | Total     |
|                                                                                                             | gain/(loss)<br>HK\$'000 | gain/(loss)<br>HK\$'000 | HK\$'000  |
| Total gain/ (loss) included in profit or loss for the year                                                  | —                       | 2,988,541               | 2,988,541 |
| Total gain/ (loss) included in profit or loss for the year for assets held at the end of the reporting year | —                       | 2,988,541               | 2,988,541 |

During the year 2024 and 2023, 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.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Regulatory framework

The operation of the Company is subject to local regulatory requirements in Hong Kong. The regulators are interested in ensuring that the Company 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 Company 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 Company also sets maximum limits on currency, maturity and credit limits on fixed income portfolios. The Company only deals with institutions with high creditworthiness.

(a) Insurance risk

The Company 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 Company retains a maximum of US\$10 million for mortality risk per life for Hong Kong, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, and catastrophe treaties with reputable international reinsurers. As part of the Company's quality control process, the Company 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 Company structures the level of market risk it accepts through a Company market risk policy which includes determining what constitutes market risk for the Company, 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, 2024

34 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 Company'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. There are no significant concentrations of currency risk within the Company.

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

**December 31, 2024**

|                                                    | HK and US<br>Dollar<br>HK\$'000 | Renminbi<br>HK\$'000 | Other<br>HK\$'000 | Total<br>HK\$'000  |
|----------------------------------------------------|---------------------------------|----------------------|-------------------|--------------------|
| Mortgage and other loans                           | —                               | —                    | 1,786,032         | 1,786,032          |
| Accrued investment income                          | 1,958,096                       | 8,912                | 357,686           | 2,324,694          |
| Loan to an intermediate holding company            | 160,721                         | —                    | —                 | 160,721            |
| Amounts due from affiliates                        | 972,849                         | —                    | 20,063            | 992,912            |
| Financial assets included in other assets          | 5,547,639                       | 932,680              | (980,488)         | 5,499,831          |
| Investment securities                              |                                 |                      |                   |                    |
| Listed debt securities                             | 137,678,230                     | 666,750              | 25,082,508        | 163,427,488        |
| Listed stocks                                      | 50,066,535                      | —                    | 4,939,845         | 55,006,380         |
| Unlisted debt securities                           | 9,123,910                       | —                    | 6,577,705         | 15,701,615         |
| Unlisted unit-linked funds                         | 1,758,109                       | 24,919               | 70,724            | 1,853,752          |
| Private equities                                   | 56,418,223                      | 655,126              | 11,675,515        | 68,748,864         |
| Derivative financial instruments                   | 5,918,801                       | 40,378               | 343,625           | 6,302,804          |
| Cash and bank balances                             | —                               | —                    | 4,808,096         | 4,808,096          |
| <b>Total financial assets</b>                      | <b>269,603,113</b>              | <b>2,328,765</b>     | <b>54,681,311</b> | <b>326,613,189</b> |
| Amounts due to affiliates                          | 1,138,031                       | —                    | 708,484           | 1,846,515          |
| Derivative financial instruments                   | 8,941,123                       | 10,228               | 172,837           | 9,124,188          |
| Financial liabilities included in accounts payable | 18,221,714                      | 98,538               | 389,032           | 18,709,284         |
| <b>Total financial liabilities</b>                 | <b>28,300,868</b>               | <b>108,766</b>       | <b>1,270,353</b>  | <b>29,679,987</b>  |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(i) Currency risk (continued)

The table below summarizes the Company's financial assets and financial liabilities by major currencies.

**December 31, 2023**

|                                                    | HK and US<br>Dollar<br>HK\$'000 | Renminbi<br>HK\$'000 | Other<br>HK\$'000 | Total<br>HK\$'000  |
|----------------------------------------------------|---------------------------------|----------------------|-------------------|--------------------|
| Mortgage and other loans                           | —                               | —                    | 1,795,679         | 1,795,679          |
| Accrued investment income                          | 1,833,296                       | 8,648                | 297,090           | 2,139,034          |
| Loan to an intermediate holding company            | 320,370                         | —                    | —                 | 320,370            |
| Amounts due from affiliates                        | 990,043                         | —                    | 14,835            | 1,004,878          |
| Financial assets included in other assets          | 5,770,434                       | 146                  | 15,992            | 5,786,572          |
| Investment securities                              |                                 |                      |                   |                    |
| Listed debt securities                             | 144,155,430                     | 259,813              | 22,979,376        | 167,394,619        |
| Listed stocks                                      | 36,016,747                      | —                    | —                 | 36,016,747         |
| Unlisted debt securities                           | 7,818,034                       | —                    | 6,714,855         | 14,532,889         |
| Unlisted unit-linked funds                         | 1,544,997                       | 24,641               | 93,959            | 1,663,597          |
| Private equities                                   | 44,807,820                      | 651,217              | 8,628,987         | 54,088,024         |
| Derivative financial instruments                   | 5,384,311                       | 9,349                | 36,760            | 5,430,420          |
| Cash and bank balances                             | —                               | —                    | 8,123,733         | 8,123,733          |
| <b>Total financial assets</b>                      | <b>248,641,482</b>              | <b>953,814</b>       | <b>48,701,266</b> | <b>298,296,562</b> |
| Amount due to affiliates                           | 1,051,462                       | (1,809)              | 573,350           | 1,623,003          |
| Derivative financial instruments                   | 5,160,455                       | 26,183               | 624,288           | 5,810,926          |
| Financial liabilities included in accounts payable | 4,726,491                       | 144,773              | 341,909           | 5,213,173          |
| <b>Total financial liabilities</b>                 | <b>10,938,408</b>               | <b>169,147</b>       | <b>1,539,547</b>  | <b>12,647,102</b>  |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

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34 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 Company has no significant concentration of interest rate risk.

Potential impacts on contractual service margin, net income attributed to shareholders, other comprehensive income attributed to shareholders, and total comprehensive income attributed to shareholders of an immediate parallel change in interest rates, corporate spreads or swap spreads relative to current rates.

| December 31, 2024<br>(HK\$ millions, post-tax except CSM) | Interest rates |         | Corporate spreads |       | Swap spreads |       |
|-----------------------------------------------------------|----------------|---------|-------------------|-------|--------------|-------|
|                                                           | -50bp          | +50bp   | -50bp             | +50bp | -20bp        | +20bp |
| CSM                                                       | 129            | (446)   | 203               | (247) | 42           | (41)  |
| Net income attributed to shareholders                     | 60             | (57)    | 12                | (11)  | 12           | (12)  |
| Other comprehensive income attributed to shareholders     | 3,314          | (2,962) | 302               | (274) | (1)          | 1     |
| Total comprehensive income attributed to shareholders     | 3,374          | (3,019) | 314               | (285) | 11           | (11)  |

| December 31, 2023<br>(HK\$ millions, post-tax except CSM) | Interest rates |         | Corporate spreads |       | Swap spreads |       |
|-----------------------------------------------------------|----------------|---------|-------------------|-------|--------------|-------|
|                                                           | -50bp          | +50bp   | -50bp             | +50bp | -20bp        | +20bp |
| CSM                                                       | 571            | (820)   | 69                | (136) | 40           | (40)  |
| Net income attributed to shareholders                     | 129            | (126)   | 78                | (76)  | 16           | (16)  |
| Other comprehensive income attributed to shareholders     | 3,053          | (2,719) | 315               | (300) | -            | -     |
| Total comprehensive income attributed to shareholders     | 3,182          | (2,845) | 393               | (376) | 16           | (16)  |

Potential immediate impacts on contractual service margin, net income attributed to shareholders, other comprehensive income attributed to shareholders, and total comprehensive income attributed to shareholders from changes in market values.

| (HK\$ millions, post-tax except CSM)                  | 2024  |     | 2023  |     |
|-------------------------------------------------------|-------|-----|-------|-----|
|                                                       | -10%  | 10% | -10%  | 10% |
| CSM                                                   | (814) | 677 | (767) | 658 |
| Net income attributed to shareholders                 | (214) | 219 | (193) | 197 |
| Other comprehensive income attributed to shareholders | (14)  | 9   | (20)  | 16  |
| Total comprehensive income attributed to shareholders | (228) | 228 | (213) | 213 |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(iii) Price risk

The Company'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 Company'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, 2024 | High/Low<br>2024  | December 31, 2023 | High/Low<br>2023  |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| Hong Kong – Hang Seng Index   | 20,059            | 23,242/<br>14,794 | 17,047            | 22,689/<br>16,201 |
| United States – S&P 500 Index | 5,882             | 6,100/<br>4,682   | 4,770             | 4,783/<br>3808    |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 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.

| <b>December 31, 2024</b>                                                                    |         |         |       |       |       |      |
|---------------------------------------------------------------------------------------------|---------|---------|-------|-------|-------|------|
| (HK\$ million, post-tax except CSM)                                                         | -30%    | -20%    | -10%  | 30%   | 20%   | 10%  |
| Net potential impact on net income attributable to shareholder before impact of reinsurance | (2,734) | (1,826) | (915) | 2,756 | 1,838 | 918  |
| Impact of reinsurance                                                                       | 22      | 14      | 7     | (22)  | (14)  | (7)  |
| Net potential impact on net income attributable to shareholder after impact of reinsurance  | (2,712) | (1,812) | (908) | 2,734 | 1,824 | 911  |
| CSM                                                                                         | (2,624) | (1,623) | (830) | 2,441 | 1,659 | 843  |
| Other comprehensive income attributed to shareholders                                       | (56)    | (33)    | (15)  | 33    | 22    | 11   |
| Total comprehensive income attributed to shareholders                                       | (2,768) | (1,845) | (923) | 2,767 | 1,846 | 922  |
| <b>December 31, 2023</b>                                                                    |         |         |       |       |       |      |
| (HK\$ million, post-tax except CSM)                                                         | -30%    | -20%    | -10%  | 30%   | 20%   | 10%  |
| Net potential impact on net income attributable to shareholder before impact of reinsurance | (2,048) | (1,367) | (685) | 2,060 | 1,373 | 685  |
| Impact of reinsurance                                                                       | 30      | 20      | 10    | (30)  | (20)  | (10) |
| Net potential impact on net income attributable to shareholder after impact of reinsurance  | (2,018) | (1,347) | (675) | 2,030 | 1,353 | 675  |
| CSM                                                                                         | (2,621) | (1,645) | (808) | 2,296 | 1,553 | 788  |
| Other comprehensive income attributed to shareholders                                       | (48)    | (30)    | (13)  | 34    | 23    | 13   |
| Total comprehensive income attributed to shareholders                                       | (2,066) | (1,377) | (688) | 2,064 | 1,376 | 688  |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 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 Company 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 Company manages liquidity through a Company liquidity risk policy which includes determining what constitutes liquidity risk for the Company; 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 Company's liquidity risk policy for pertinence and changing environment. There are no significant concentrations of liquidity risk within the Company.

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

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

(c) Liquidity risk (continued)

**December 31, 2024**

|                                                    | Up to a year<br>HK\$'000 | 1-3 years<br>HK\$'000 | 3-5 years<br>HK\$'000 | Over 5 years<br>HK\$'000 | Total<br>HK\$'000  |
|----------------------------------------------------|--------------------------|-----------------------|-----------------------|--------------------------|--------------------|
| Mortgage and other loans                           | 76,308                   | 416,163               | 520,329               | 773,232                  | 1,786,032          |
| Accrued investment income                          | 2,324,694                | —                     | —                     | —                        | 2,324,694          |
| Loan to an intermediate holding company            | 160,721                  | —                     | —                     | —                        | 160,721            |
| Amounts due from affiliates                        | 992,912                  | —                     | —                     | —                        | 992,912            |
| Financial assets included in other assets          | 5,499,831                | —                     | —                     | —                        | 5,499,831          |
| Investment securities:                             |                          |                       |                       |                          |                    |
| Listed debt securities                             | 6,119,271                | 17,169,385            | 17,699,245            | 122,439,587              | 163,427,488        |
| Listed stocks                                      | 55,006,380               | —                     | —                     | —                        | 55,006,380         |
| Unlisted debt securities                           | 155,065                  | 1,440,384             | 1,345,041             | 12,761,125               | 15,701,615         |
| Unlisted unit-linked funds                         | 1,853,752                | —                     | —                     | —                        | 1,853,752          |
| Private equities                                   | 68,748,864               | —                     | —                     | —                        | 68,748,864         |
| Derivative financial instruments                   | 1,464,902                | 520,628               | 799,944               | 3,517,330                | 6,302,804          |
| Cash and bank balances                             | 4,808,096                | —                     | —                     | —                        | 4,808,096          |
| <b>Total financial assets</b>                      | <b>147,210,796</b>       | <b>19,546,560</b>     | <b>20,364,559</b>     | <b>139,491,274</b>       | <b>326,613,189</b> |
| Amounts due to affiliates                          | 1,846,515                | —                     | —                     | —                        | 1,846,515          |
| Derivative financial instruments                   | 2,842,883                | 2,450,063             | 384,195               | 3,447,047                | 9,124,188          |
| Financial liabilities included in accounts payable | 18,709,284               | —                     | —                     | —                        | 18,709,284         |
| <b>Total financial liabilities</b>                 | <b>23,398,682</b>        | <b>2,450,063</b>      | <b>384,195</b>        | <b>3,447,047</b>         | <b>29,679,987</b>  |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

December 31, 2023

|                                                    | Up to a year<br>HK\$'000 | 1-3 years<br>HK\$'000 | 3-5 years<br>HK\$'000 | Over 5 years<br>HK\$'000 | Total<br>HK\$'000  |
|----------------------------------------------------|--------------------------|-----------------------|-----------------------|--------------------------|--------------------|
| Mortgage and other loans                           | 94,534                   | 343,559               | 284,873               | 1,072,713                | 1,795,679          |
| Accrued investment income                          | 2,139,034                | —                     | —                     | —                        | 2,139,034          |
| Loan to an intermediate holding company            | 158,809                  | 161,561               | —                     | —                        | 320,370            |
| Amounts due from affiliates                        | 1,004,878                | —                     | —                     | —                        | 1,004,878          |
| Financial assets included in other assets          | 5,786,572                | —                     | —                     | —                        | 5,786,572          |
| Investment securities:                             |                          |                       |                       |                          |                    |
| Listed debt securities                             | 7,136,339                | 15,378,765            | 19,478,681            | 125,400,834              | 167,394,619        |
| Listed stocks                                      | 36,016,747               | —                     | —                     | —                        | 36,016,747         |
| Unlisted debt securities                           | 351,265                  | 622,235               | 1,915,213             | 11,644,176               | 14,532,889         |
| Unlisted unit-linked funds                         | 1,663,597                | —                     | —                     | —                        | 1,663,597          |
| Private equities                                   | 54,088,024               | —                     | —                     | —                        | 54,088,024         |
| Derivative financial instruments                   | 1,546,569                | 871,612               | 580,856               | 2,431,383                | 5,430,420          |
| Cash and bank balances                             | 8,123,733                | —                     | —                     | —                        | 8,123,733          |
| <b>Total financial assets</b>                      | <b>118,110,101</b>       | <b>17,377,732</b>     | <b>22,259,623</b>     | <b>140,549,106</b>       | <b>298,296,562</b> |
| Amounts due to affiliates                          | 1,623,003                | —                     | —                     | —                        | 1,623,003          |
| Derivative financial instruments                   | 891,025                  | 1,129,628             | 317,145               | 3,473,128                | 5,810,926          |
| Financial liabilities included in accounts payable | 5,213,173                | —                     | —                     | —                        | 5,213,173          |
| <b>Total financial liabilities</b>                 | <b>7,727,201</b>         | <b>1,129,628</b>      | <b>317,145</b>        | <b>3,473,128</b>         | <b>12,647,102</b>  |

(d) Reinsurance risk

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. In addition, the Company accepts reinsurance from other reinsurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. To minimize losses from reinsurer insolvency, the Company monitors the concentration of credit risk both geographically and with any one reinsurer. In addition, the Company selects reinsurers with high credit ratings.

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of a borrower, or counterparty, to fulfill its payment obligations. Worsening regional and global economic conditions, segment or industry sector challenges, or company specific factors could result in defaults or downgrades and could lead to increased provisions or impairments related to the Company's general fund invested assets.

The Company's exposure to credit risk is managed through risk management policies and procedures which include a defined credit evaluation and adjudication process, delegated credit approval authorities and established exposure limits by borrower, corporate connection, credit rating, industry and geographic region. The Company measures derivative counterparty exposure as net potential credit exposure, which takes into consideration fair values of all transactions with each counterparty, net of any collateral held, and an allowance to reflect future potential exposure. Reinsurance counterparty exposure is measured reflecting the level of ceded liabilities.

Underlying assets bearing credit risk:

| December 31, 2024                                                | Stage 1<br>HK\$'000 | Stage 2<br>HK\$'000 | Stage 3<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------|
| <b>Listed debt securities</b>                                    |                     |                     |                     |                   |
| Investment grade                                                 | 149,836,446         | 1,509,351           | —                   | 151,345,797       |
| Non-investment grade                                             | —                   | 180,712             | —                   | 180,712           |
| Rating not available                                             | 11,900,979          | —                   | —                   | 11,900,979        |
| Total                                                            | 161,737,425         | 1,690,063           | —                   | 163,427,488       |
| Allowance for credit losses on assets measured at amortized cost | —                   | —                   | —                   | —                 |
| Net of allowance                                                 | 161,737,425         | 1,690,063           | —                   | 163,427,488       |
| Allowance for credit losses on assets measured at FVOCI          | 168,878             | 41,835              | —                   | 210,713           |
| <b>Unlisted debt securities</b>                                  |                     |                     |                     |                   |
| Investment grade                                                 | 3,604,349           | 116,758             | —                   | 3,721,107         |
| Rating not available                                             | 11,442,295          | 538,213             | —                   | 11,980,508        |
| Total                                                            | 15,046,644          | 654,971             | —                   | 15,701,615        |
| Allowance for credit losses on assets measured at amortized cost | —                   | —                   | —                   | —                 |
| Net of allowance                                                 | 15,046,644          | 654,971             | —                   | 15,701,615        |
| Allowance for credit losses on assets measured at FVOCI          | 37,154              | 38,030              | —                   | 75,184            |
| <b>Mortgages</b>                                                 |                     |                     |                     |                   |
| Investment grade                                                 | 1,654,366           | 131,666             | —                   | 1,786,032         |
| Total                                                            | 1,654,366           | 131,666             | —                   | 1,786,032         |
| Allowance for credit losses on assets measured at amortized cost | —                   | —                   | —                   | —                 |
| Net of allowance                                                 | 1,654,366           | 131,666             | —                   | 1,786,032         |
| Allowance for credit losses on assets measured at FVOCI          | 1,718               | 1,247               | —                   | 2,965             |
| Net of allowance, total                                          | 178,438,435         | 2,476,700           | —                   | 180,915,135       |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Credit risk (continued)

| December 31, 2023                                                | Stage 1<br>HK\$'000 | Stage 2<br>HK\$'000 | Stage 3<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------------------|---------------------|---------------------|---------------------|-------------------|
| <b>Listed debt securities</b>                                    |                     |                     |                     |                   |
| Investment grade                                                 | 148,489,174         | 1,601,867           | —                   | 150,091,041       |
| Non-investment grade                                             | —                   | 45,550              | 1,171               | 46,721            |
| Rating not available                                             | 9,437,830           | 93,712              | 1,255               | 9,532,797         |
| Total                                                            | 157,927,004         | 1,741,129           | 2,426               | 159,670,559       |
| Allowance for credit losses on assets measured at amortized cost | —                   | —                   | —                   | —                 |
| Net of allowance                                                 | 157,927,004         | 1,741,129           | 2,426               | 159,670,559       |
| Allowance for credit losses on assets measured at FVOCI          | 213,642             | 53,517              | 14,533              | 281,692           |
| <b>Unlisted debt securities</b>                                  |                     |                     |                     |                   |
| Investment grade                                                 | 3,979,487           | 117,108             | —                   | 4,096,595         |
| Rating not available                                             | 10,042,837          | 393,457             | —                   | 10,436,294        |
| Total                                                            | 14,022,324          | 510,565             | —                   | 14,532,889        |
| Allowance for credit losses on assets measured at amortized cost | —                   | —                   | —                   | —                 |
| Net of allowance                                                 | 14,022,324          | 510,565             | —                   | 14,532,889        |
| Allowance for credit losses on assets measured at FVOCI          | 34,022              | 4,712               | —                   | 38,734            |
| <b>Mortgages</b>                                                 |                     |                     |                     |                   |
| Investment grade                                                 | 1,658,191           | 137,488             | —                   | 1,795,679         |
| Total                                                            | 1,658,191           | 137,488             | —                   | 1,795,679         |
| Allowance for credit losses on assets measured at amortized cost | —                   | —                   | —                   | —                 |
| Net of allowance                                                 | 1,658,191           | 137,488             | —                   | 1,795,679         |
| Allowance for credit losses on assets measured at FVOCI          | 1,877               | 1,927               | —                   | 3,804             |
| Net of allowance, total                                          | 173,607,519         | 2,389,182           | 2,426               | 175,999,127       |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

(e) Credit risk (continued)

The following table provides details on the allowance for credit losses by stage as at and for the year ended December 31, 2024 and December 31, 2023 under HKFRS 9.

| <b>December 31, 2024</b>                  | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>   |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       |
| Balance, beginning of year                | 249,541        | 60,156         | 14,533         | 324,230        |
| Net remeasurement due to transfers        | 9,367          | (9,367)        | —              | —              |
| Transfer to stage 1                       | 10,338         | (10,338)       | —              | —              |
| Transfer to stage 2                       | (971)          | 971            | —              | —              |
| Transfer to stage 3                       | —              | —              | —              | —              |
| Net originations, purchases and disposals | 23,121         | (4,095)        | (16,780)       | 2,246          |
| Repayments                                | —              | —              | —              | —              |
| Changes to risk, parameters, and models   | (76,105)       | 34,418         | 2,247          | (39,440)       |
| Foreign exchange and other adjustments    | —              | —              | —              | —              |
| Balance, end of year                      | <u>205,924</u> | <u>81,112</u>  | <u>—</u>       | <u>287,036</u> |
| <b>December 31, 2023</b>                  | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>   |
|                                           | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       |
| Balance, beginning of year                | 220,682        | 63,929         | 3,324          | 287,935        |
| Net remeasurement due to transfers        | 4,635          | (7,389)        | 2,754          | —              |
| Transfer to stage 1                       | 8,639          | (8,639)        | —              | —              |
| Transfer to stage 2                       | (1,250)        | 1,250          | —              | —              |
| Transfer to stage 3                       | (2,754)        | —              | 2,754          | —              |
| Net originations, purchases and disposals | 24,060         | (1,259)        | (13,395)       | 9,406          |
| Repayments                                | —              | —              | —              | —              |
| Changes to risk, parameters, and models   | (3,577)        | 4,033          | 22,331         | 22,787         |
| Foreign exchange and other adjustments    | 3,741          | 842            | (481)          | 4,102          |
| Balance, end of year                      | <u>249,541</u> | <u>60,156</u>  | <u>14,533</u>  | <u>324,230</u> |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Credit risk (continued)

**Significant judgements and estimates**

The following table shows certain key macroeconomic variables used to estimate the ECL allowances by market. For the base case, upside and downside scenarios, the projections are provided for the next 12 months and then for the remaining forecast period, which represents a medium-term view.

| As at December 31, 2024<br>U.S.                | Current<br>quarter | Base case scenario |                    | Upside scenario   |                    | Downside scenario 1 |                    | Downside scenario 2 |                    |
|------------------------------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|                                                |                    | Next 12<br>months  | Ensuing<br>4 years | Next 12<br>months | Ensuing<br>4 years | Next 12<br>months   | Ensuing<br>4 years | Next 12<br>months   | Ensuing<br>4 years |
| Gross Domestic Product (GDP), in US\$ billions | 23,534             | 2.1%               | 2.2%               | 3.6%              | 2.3%               | (2.0)%              | 2.7%               | (4.2)%              | 2.5%               |
| Unemployment rate                              | 4.2%               | 4.1%               | 4.0%               | 3.3%              | 3.3%               | 7.3%                | 6.1%               | 7.8%                | 8.1%               |
| 7-10 Year BBB U.S. Corporate Index             | 5.5%               | 6.1%               | 6.1%               | 5.9%              | 6.2%               | 5.4%                | 5.6%               | 6.0%                | 5.4%               |
| Hong Kong                                      |                    |                    |                    |                   |                    |                     |                    |                     |                    |
| Unemployment rate                              | 3.0%               | 2.9%               | 3.0%               | 2.5%              | 2.7%               | 4.1%                | 3.8%               | 4.6%                | 4.6%               |
| Hang Seng Index                                | 19,448             | 7.0%               | 4.1%               | 18.1%             | 3.7%               | (19.7)%             | 9.9%               | (37.0)%             | 13.5%              |

| As at December 31, 2023<br>U.S.                | Current<br>quarter | Base case scenario |                    | Upside scenario   |                    | Downside scenario 1 |                    | Downside scenario 2 |                    |
|------------------------------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|                                                |                    | Next 12<br>months  | Ensuing<br>4 years | Next 12<br>months | Ensuing<br>4 years | Next 12<br>months   | Ensuing<br>4 years | Next 12<br>months   | Ensuing<br>4 years |
| Gross Domestic Product (GDP), in US\$ billions | 22,531             | 1.3%               | 2.3%               | 3.6%              | 2.4%               | (2.5)%              | 2.6%               | (4.2)%              | 2.5%               |
| Unemployment rate                              | 3.9%               | 3.9%               | 4.0%               | 3.2%              | 3.3%               | 6.5%                | 5.8%               | 6.9%                | 7.6%               |
| 7-10 Year BBB U.S. Corporate Index             | 6.6%               | 6.5%               | 6.0%               | 6.2%              | 6.1%               | 6.0%                | 5.4%               | 6.6%                | 5.3%               |
| Hong Kong                                      |                    |                    |                    |                   |                    |                     |                    |                     |                    |
| Unemployment rate                              | 2.8%               | 2.9%               | 3.2%               | 2.6%              | 2.6%               | 4.0%                | 4.0%               | 4.4%                | 4.8%               |
| Hang Seng Index                                | 19,316             | 20.9%              | 5.1%               | 35.4%             | 4.7%               | (13.6)%             | 11.3%              | (34.1)%             | 14.8%              |

MANULIFE (INTERNATIONAL) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

(f) 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 maximize shareholder value.

The Company 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 Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or return capital to ordinary shareholders.

The Company 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.

35 SUBSEQUENT EVENT

On 20 December 2024, the Company entered into a unit sale agreement to acquire 100% ordinary units of the NSW Forrest Logistics Trust ("the Trust"). By March 2025, the Company had acquired 63,173,295 ordinary shares of AUD 1 per unit of the Trust.

36 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements was approved and authorized for issue by the board of directors on April 24, 2025.