

Audited Financial Statements

MANULIFE (MACAU) PENSION FUND SCHEME – BALANCED  
FUND (MACAU)

For the year ended 31 December 2022

## MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Management Company of Manulife (Macao) Pension Fund Scheme – Balanced Fund (Macao)**

We have audited the financial statements of Manulife (Macao) Pension Fund Scheme – Balanced Fund (Macao) (the "Fund") set out on pages 3 to 25, which comprise the statement of net assets available for benefits as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets available for benefits attributable to members and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

#### **Management company's responsibilities for the financial statements**

The management company's of the Fund is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards promulgated by the Macao Special Administrative Region under Order of the Secretary for Economy and Finance No. 44/2020 ("Macao Financial Reporting Standards") and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001 ("Legal Framework of Private Pension Funds"), and for such internal control as the management company of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Auditing Standards issued by the Professional Committee of Accountants under the Notice No. 2/2021/CPC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management company of the Fund, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT (continued)**

**To the Management Company of Manulife (Macau) Pension Fund Scheme – Balanced Fund (Macau)**

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial transactions and cash flows for the year then ended in accordance with Macao Financial Reporting Standards and in compliance with the Legal Framework of Private Pension Funds.

**Report on the requirements in accordance with Note No. 011/2021-AMCM**

In our opinion:

- (a) proper records of the Fund have been maintained to reflect the Fund's activities;
- (b) all necessary information and explanations as and when requested, and where appropriate, have been satisfactorily obtained.



**CHAN Wai, CPA**  
**Ernst & Young**  
*Certified Public Accountants*

Macao  
26 June 2023

MANULIFE (MACAU) PENSION FUND SCHEME – BALANCED FUND (MACAU)

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at 31 December 2022

	Notes	2022 MOP	2022 HKD	2021 MOP	2021 HKD
<b>ASSETS</b>					
Financial assets at fair value through profit or loss	3,4	9,274,990	9,004,845	11,970,248	11,621,600
Contribution receivable		5,162	5,012	300	291
Interest receivable		224	216	-	-
Cash and cash equivalents	5	538,155	522,481	817,916	794,093
<b>TOTAL ASSETS</b>		<b>9,818,531</b>	<b>9,532,554</b>	<b>12,788,464</b>	<b>12,415,984</b>
<b>LIABILITIES</b>					
Benefits payable	6	-	-	400,796	389,122
Management fee payable	7(a)	10,868	10,551	11,785	11,442
Investment payable		2,581	2,506	-	-
<b>TOTAL LIABILITIES</b>					
EXCLUDING NET ASSETS AVAILABLE FOR BENEFITS ATTRIBUTABLE TO MEMBERS		13,449	13,057	412,581	400,564
<b>NET ASSETS AVAILABLE FOR BENEFITS ATTRIBUTABLE TO MEMBERS</b>		<b>9,805,082</b>	<b>9,519,497</b>	<b>12,375,883</b>	<b>12,015,420</b>
<b>TOTAL LIABILITIES</b>		<b>9,818,531</b>	<b>9,532,554</b>	<b>12,788,464</b>	<b>12,415,984</b>

For and on behalf of the management company

Manulife (International) Limited

.....  
Patrick Graham

The accompanying notes are integral part of these financial statements.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANECDFUND (MACAU)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 MOP	2022 HKD	2021 MOP	2021 HKD
EXPENSES					
Management fees	7(a)	( 115,967)	( 112,589)	(131,987)	(128,143)
Custody fees	7(b)	( 1,391)	( 1,351)	( 1,656)	( 1,608)
EXPENSES BEFORE INVESTMENT AND EXCHANGE DIFFERENCES		<u>( 117,358)</u>	<u>( 113,940)</u>	<u>(133,643)</u>	<u>(129,751)</u>
INVESTMENT AND EXCHANGE DIFFERENCES					
Net realised (losses)/gains on financial assets at fair value through profit or loss	3	( 46,863)	( 45,498)	816,847	793,056
Net change in unrealised losses on financial assets at fair value through profit or loss	3	(2,070,940)	(2,010,621)	(544,503)	(528,644)
Income from investment		436	423	-	-
		<u>(2,117,367)</u>	<u>(2,055,696)</u>	<u>272,344</u>	<u>264,412</u>
CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS FROM OPERATIONS		<u>(2,234,725)</u>	<u>(2,169,636)</u>	<u>138,701</u>	<u>134,661</u>

The accompanying notes are integral part of these financial statements.

# MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS ATTRIBUTABLE TO MEMBERS

For the year ended 31 December 2022

	2022 MOP	2022 HKD	2021 MOP	2021 HKD
Net assets available for benefits attributable to members as at 1 January	12,375,883	12,015,420	11,005,786	10,685,229
Contributions received and receivable during the year	2,436,421	2,365,457	3,601,815	3,496,908
Benefits paid and payable during the year	(2,494,349)	(2,421,698)	(1,980,631)	(1,922,943)
Transfer in during the year	8,227	7,987	322,280	312,893
Transfer out during the year	( 135,394)	( 131,450)	( 195,866)	( 190,161)
Unvested benefits to associates	( 150,981)	( 146,583)	( 516,202)	( 501,167)
Change in net assets available for benefits from operations for the year	(2,234,725)	(2,169,636)	138,701	134,661
Net assets available for benefits attributable to members	9,805,082	9,519,497	12,375,883	12,015,420

The accompanying notes are integral part of these financial statements.

# MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 MOP	2022 HKD	2021 MOP	2021 HKD	
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets available for benefits from operation	(2,234,725)	(2,169,636)	138,701	134,661	
Adjusted for:					
Investment and exchange difference	2,117,367	2,055,696	( 272,344)	( 264,412)	
Income from investment	436	423	-	-	
Changes in other assets and liabilities:					
Decrease/(increase) in financial assets at fair value through profit or loss	624,318	606,134	(1,629,937)	(1,582,463)	
Increase in interest receivable	( 224)	( 216)	-	-	
(Decrease)/increase in expenses payables	( 917)	( 891)	1,672	1,623	
Increase in investment payable	2,581	2,506	-	-	
(Losses)/gains on disposal of investments	( 46,863)	( 45,498)	816,847	793,055	
Net cash flows generated from/(used in) operating activities	461,973	448,518	( 945,061)	( 917,536)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Contributions received	2,431,559	2,360,736	3,601,515	3,496,617	
Transfer in	8,227	7,987	322,280	312,893	
Benefits paid	(2,895,145)	(2,810,820)	(1,631,726)	(1,584,200)	
Unvested benefits to associates	( 150,981)	( 146,583)	( 516,202)	( 501,167)	
Transfer out	( 135,394)	( 131,450)	( 195,866)	( 190,161)	
Net cash flows (used in)/generated from financing activities	( 741,734)	( 720,130)	1,580,001	1,533,982	
Net (decrease)/increase in cash and cash equivalents	( 279,761)	( 271,612)	634,940	616,446	
Cash and cash equivalents at beginning of year	817,916	794,093	182,976	177,647	
CASH AND CASH EQUIVALENTS AT END OF YEAR	538,155	522,481	817,916	794,093	
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash at bank	5	538,155	522,481	817,916	794,093

The accompanying notes are integral part of these financial statements.



# MANULIFE (MACAU) PENSION FUND SCHEME – BALANCED FUND (MACAU)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 1. THE FUND

Manulife (Macau) Pension Fund Scheme – Balanced Fund (Macau) (the "Fund") is one of the six private pension funds of Manulife (International) Limited (the "Management Company") and authorised under the Macau Legal Framework for Private Pension Funds Decree-Law No.6/99/M of 8 February. The Management Company is a life insurance company incorporated in Bermuda and registered as a private pension fund management company with the Monetary Authority of Macao ("AMCM") in Macau.

The Management Company appointed Manulife Investment Management (Hong Kong) Limited (the "Investment Adviser") to assist in providing investment and related service to the Fund and the depository of the Fund is HSBC Institutional Trust Services (Asia) Limited.

### 2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with Financial Reporting Standards promulgated by the Macao Special Administrative Region under the Dispatch of Secretary for Economy and Finance No. 44/2020 (herein referred as "MFRSs") and in compliance with the Legal Framework of Private Pension Funds under Decree-Law no. 6/99/M on February 8 as amended by Law no. 10/2001.

These financial statements have been prepared under the historical cost convention, except for the financial assets measured at fair value through profit or loss, as further explained below. These financial statements are presented in Macao patacas ("MOP") and Hong Kong dollars ("HKD"). All values are rounded to the nearest MOP and HKD except when otherwise indicated.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Classification (continued)

Financial Assets (continued)

*Financial assets measured at amortised cost*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including contribution receivable, interest receivable, amount due from broker and cash and cash equivalents.

*Financial assets measured at fair value through profit or loss*

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

- Instruments held for trading. This category includes funds which are acquired principally for the purpose to provide medium to long term capital growth.

Financial liabilities

*Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category benefits payable, management fee payable, investment payable and other payables.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of net assets available for benefits at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gains on financial assets at fair value through profit or loss in profit or loss.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest revenue or interest expense over the relevant period.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Subsequent measurement

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where (i) the rights to receive cash flows from the asset have expired; or (ii) the Fund has transferred its rights 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 the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

# MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of financial assets

For financial assets measured at amortised cost, impairment allowances are recognised under the general approach where expected credit loss ("ECL") are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Fund is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where 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.

#### *Simplified approach*

For receivables, the Fund applies the simplified approach in calculating ECLs. Under the simplified approach, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Fund chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

#### Net assets available for benefits attributable to members

The members of the Fund through their employers are provided with the right to redeem their entitlement for cash (subject to forfeiture) equal to their proportionate share of the net asset value of the Fund. The existence of the option for the members through their employers to redeem their entitlement for cash (subject to forfeiture) requires the Fund to classify the entitlement as liabilities. Accordingly, the increase (decrease) in net assets available for benefits attributable to members is shown in the statement of changes in net assets available for benefits attributable to members. The subscriptions and redemptions by the members and the distributions to members are the increase or decrease of liabilities of the Fund.

The liabilities to members are presented in the statement of net assets available for benefits as "net assets available for benefits attributable to members" and are determined based on the residual assets of the Fund after deducting the Fund's other liabilities.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of Hong Kong dollars to Macao patacas

All assets and liabilities in the statement of net assets available for benefits as at 31 December 2022 are translated using exchange rate of 1 HKD = 1.03 MOP (2021: 1 HKD = 1.03 MOP). The gains and losses in the statement of profit or loss and other comprehensive income are translated using average exchange rate of 1 HKD = 1.03 MOP (2021: 1 HKD = 1.03 MOP).

Revenue recognition

Realised gains and losses on securities are recognised on a trade date basis and are equal to the difference between the original cost, computed using weighted average cost method and sales proceeds.

Aggregate past service liability

Aggregate past service liability represents the aggregate of members' balances at the reporting date on the assumption that the Fund will continue.

Aggregate vested liability

Aggregate vested liability represents the aggregate of that portion of the members' balances at the year-end date, computed in accordance with the vesting rules of the Fund, that would be payable on the assumption that the Fund was terminated at that date.

Fair value measurement

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 to the Fund. 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.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (the last traded price), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted) as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (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 (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of net assets available for benefits if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, including term deposits, which are not restricted as to use.

#### Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

#### Contributions and benefit payments

Contributions and benefit payments are accounted for on an accrual basis.

#### Forfeitures

Any amount forfeited shall be applied from time to time by the employer in reducing the amount of future contributions.

#### Interest income

Interest income are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method.

#### Net gain or loss on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets held for trading or designated upon initial recognition as at fair value through profit or loss and excludes any interest and dividend income and expenses.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net gain or loss on financial assets at fair value through profit or loss (continued)

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at fair value through profit or loss are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Related parties

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

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 MOP	2022 HKD	2021 MOP	2021 HKD
Cost of underlying investments	9,990,862	9,699,866	10,615,180	10,306,000
Unrealised (losses)/gains	(715,872)	(695,021)	1,355,068	1,315,600
	<u>9,274,990</u>	<u>9,004,845</u>	<u>11,970,248</u>	<u>11,621,600</u>
	2022 MOP	2022 HKD	2021 MOP	2021 HKD
Net gains on financial assets at fair value through profit or loss				
- Realised (losses)/gains	( 46,863)	( 45,498)	816,847	793,056
- Decrease in unrealised gains	<u>(2,070,940)</u>	<u>(2,010,621)</u>	<u>(544,503)</u>	<u>(528,644)</u>

**Valuation techniques**

The underlying investments of the Fund which are valued at their net assets value ("NAV") are classified as Level 2. The NAVs are provided by the fund administrator.

4. FAIR VALUE HIERARCHY

Fair values

The fair values of financial assets are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices on the year-end date. The Fund's financial instruments are valued using the bid prices.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

4. FAIR VALUE HIERARCHY (continued)

Fair values (continued)

- the fair values of the underlying investments of the Fund are based on their NAV quoted by the investment manager of the underlying investments of the Fund.
- the fair values of other financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The Management Company of the Fund considers that the carrying amounts of the financial assets in the financial statements approximate their fair values.

The following tables illustrate the fair value measurement hierarchy of the Fund's financial instruments:

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total fair value
<b>31 December 2022</b>				
<b>Financial assets designated at fair value through profit or loss:</b>				
Investment at fair value through profit or loss (MOP)	-	9,274,990	-	9,274,990
Investment at fair value through profit or loss (HKD)	-	9,004,845	-	9,004,845
<b>31 December 2021</b>				
<b>Financial assets designated at fair value through profit or loss:</b>				
Investment at fair value through profit or loss (MOP)	-	11,970,248	-	11,970,248
Investment at fair value through profit or loss (HKD)	-	11,621,600	-	11,621,600

There were no transfers between levels in the current year and prior year.

# MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 5. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

### 6. BENEFITS PAYABLE

	2022 MOP	2022 HKD	2021 MOP	2021 HKD
Lump sum retirement benefits	-	-	400,796	389,122

### 7. FEES

#### (a) Management fee

Management fee of MOP 115,967 (equivalent to HKD 112,589) (2021: MOP 131,987 (equivalent to HKD 128,143)) was incurred during the year. As of 31 December 2022, management fee of MOP 10,868 (equivalent to HKD 10,551) (2021: MOP 11,785 (equivalent to HKD 11,442)) was payable to the Management Company.

#### (b) Custody fee

Custody fee of MOP 1,391 (equivalent to HKD 1,351) (2021: MOP 1,656 (equivalent to HKD 1,608)) was incurred during the year.

#### (c) Audit fee

The Management Company would bear the audit fee of the fund.

### 8. TAXATION

Private pension funds set up under Section 46 of Decree Law no. 6/99/M is exempt from taxes in Macau.

# MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 9. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The objective of the Fund is to achieve medium to long-term capital growth. The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The risk exposures inherent in the Fund and the risk management policies employed by the Fund are discussed below:

#### Market risk

Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation, etc. which may have a significant impact on the value of the investments. Market movement may therefore result in substantial fluctuation in the NAV per redeemable unit of the Fund. The Fund's activities expose the Fund primarily to the market risk of changes in changes in market price and interest rates.

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

(In MOP'000)	Decrease in fair value	Carrying amount of equity investment	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
2022	5%	4,645	(232)	(232)
2021	5%	6,565	(328)	(328)

(In HKD'000)	Decrease in fair value	Carrying amount of equity investment	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
2022	5%	4,510	(225)	(225)
2021	5%	6,374	(319)	(319)

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

9. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund and its underlying investments are exposed to interest rate risk, which invest in interest-bearing securities and cash deposits.

Interest rates are determined by factors of supply and demand in the international money markets, which are influenced by macro-economic factors. Fluctuations in short term and/or long term interest rates may affect the value of the units.

At 31 December 2022 and 2021, it is estimated that an increase of the interest rate by 50 basis points ("bps"), with all other variables held constant, would have resulted in a decrease in net assets attributable to members by the amount shown below:

	2022 MOP'000	2022 HKD'000	2021 MOP'000	2021 HKD'000
<b>Change in interest rate (+50 bps)</b>	(113)	(109)	(167)	(162)

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

9. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected.

The Fund provides members with the right to get their benefits for cash equal to their proportionate share of the NAV of the Fund under certain circumstances in accordance with the Macau Private Pension Funds Ordinance Decree-Law No.6/99/M and the offering memorandum of the Fund. The Fund is therefore potentially exposed to the request of benefit payments from the members. As such, the underlying investment of the Fund can be readily disposed of in order to meet the benefit payments as needed.

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted receipts and payments:

31 December 2022	Less than 3 months MOP	3 to 12 months MOP	More than 1 year MOP	Others MOP	Total MOP
Management fee payable	10,868	-	-	-	10,868
Investment payable	2,581	-	-	-	2,581
Net assets available for benefits attributable to members	9,805,082	-	-	-	9,805,082
	9,818,531	-	-	-	9,818,531

  

	Less than 3 months HKD	3 to 12 months HKD	More than 1 year HKD	Others HKD	Total HKD
Management fee payable	10,551	-	-	-	10,551
Investment payable	2,506	-	-	-	2,506
Net assets available for benefits attributable to members	9,519,497	-	-	-	9,519,497
	9,532,554	-	-	-	9,532,554



MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

9. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

31 December 2021	Less than 3 months MOP	3 to 12 months MOP	More than 1 year MOP	Others MOP	Total MOP
Benefits payable	400,796	-	-	-	400,796
Management fee payable	11,785	-	-	-	11,785
Net assets available for benefits attributable to members	12,375,883	-	-	-	12,375,883
	12,788,464	-	-	-	12,788,464

  

	Less than 3 months HKD	3 to 12 months HKD	More than 1 year HKD	Others HKD	Total HKD
Benefits payable	389,122	-	-	-	389,122
Management fee payable	11,442	-	-	-	11,442
Net assets available for benefits attributable to members	12,015,420	-	-	-	12,015,420
	12,415,984	-	-	-	12,415,984

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)  
NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

9. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships, derivatives and other transactions. It is the Fund's policies to enter into financial instruments with reputable counterparties. The Management Company closely monitors the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press release on a regular basis.

The carrying value of cash and cash equivalents, as disclosed in the statement of net assets available for benefits, represents the maximum credit exposure. The Management Company considers the exposure to credit risk on bank balances to be minimal as the cash are held at reputable bank.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosure or not.

*Financial assets subject to IFRS 9's impairment requirements*

The fund's financial assets subject to the ECL model within IFRS 9 are contribution receivable, management fee rebate receivable and cash and cash equivalents. At 31 December 2022 and 2021, no loss allowance had been provided. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

As only contribution receivable, management fee rebate receivable and cash and cash equivalents are impacted by the IFRS 9 ECL model, the Fund has adopted the simplified approach. The loss allowance shown, if any is therefore based on 12-month ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

MANULIFE (MACAU) PENSION FUND SCHEME - BALANCED FUND (MACAU)  
NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

9. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Capital management

The capital structure of the Fund consists of net assets available for benefits attributable to members. The Management Company manages the capital to ensure that the Fund will be able to continue as a going concern while maximising the return to stakeholders and maintaining a strong capital base to support the development of the investment activities of the Fund.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Management Company on 26 June 2023.