

Report of the Directors and Audited Financial Statements

FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED

富衛人壽保險(百慕達)有限公司

(Incorporated in Bermuda with limited liability)

For the year ended 31 December 2023

CONTENTS

	Pages
Report of the directors	1 – 3
Independent auditor’s report	4 – 5
<b>AUDITED FINANCIAL STATEMENTS</b>	
Statement of profit or loss	6
Statement of comprehensive income	7
Statement of financial position	8 – 9
Statement of changes in equity	10 – 11
Statement of cash flows	12 – 13
Notes to financial statements	14 – 126
1 CORPORATE INFORMATION	17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES
2 MATERIAL ACCOUNTING POLICIES	18 CASH AND CASH EQUIVALENTS
3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	19 BUSINESS ACQUISITIONS AND DISPOSALS
4 INSURANCE REVENUE AND OTHER REVENUE	20 INVESTMENT CONTRACT LIABILITIES
5 NET INVESTMENT RESULT	21 OTHER LIABILITIES
6 EXPENSES	22 LEASE LIABILITIES
7 BORROWINGS AND OTHER FINANCE COSTS	23 SHARE CAPITAL AND DIVIDENDS
8 INCOME TAX	24 SHARE-BASED COMPENSATION
9 PROPERTY, PLANT AND EQUIPMENT	25 COMMITMENTS AND CONTINGENCIES
10 RIGHT-OF-USE ASSETS	26 RELATED PARTY TRANSACTIONS
11 INTANGIBLE ASSETS	27 FINANCIAL INSTRUMENTS BY CATEGORY
12 INVESTMENTS IN SUBSIDIARIES	28 RISK MANAGEMENT
13 INSURANCE AND REINSURANCE CONTRACT BALANCES	29 EVENTS AFTER REPORTING YEAR
14 FINANCIAL INVESTMENTS	30 COMPARATIVE AMOUNTS
15 DERIVATIVE FINANCIAL INSTRUMENTS	31 APPROVAL OF THE FINANCIAL STATEMENTS
16 FAIR VALUE MEASUREMENT	

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of FWD Life Insurance Company (Bermuda) Limited (the "Company") for the year ended 31 December 2023.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is the direct underwriting of long term life insurance business. There were no changes in the nature of the Company's principal activity during the year.

The Company did not carry on insurance business during the year relating to liabilities or risks in respect of which persons are required by any ordinance to be insured.

### RESULTS

The Company's profit for the year ended 31 December 2023 and the state of affairs of the Company as at that date are set out in the financial statements on pages 6 to 126.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year are set out in Note 9 to the financial statements.

### SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 23.1 to the financial statements.

### SHARES ISSUED

Details of shares issued in the year ended 31 December 2023, together with the reasons therefor, are set out in Note 23.1 to the financial statements.

### EQUITY-LINKED ARRANGEMENTS

During the year, the Company had not entered into any equity-linked arrangements.

### RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on pages 10 to 11.

### DIRECTORS

Given below are the names of all the persons who are or were, during the year and up to the date of this report, directors of the Company:

#### Executive Directors

Lau Chi Kin

James Andrew Charles Ogilvy-Stuart

Robert Andrew Gazzì

Damis Jacobus Ziengs

Priscilla Murray Brown

Adrian Thomas O'Connor

Jon Paul Nielsen

(Resignation effective on 31 August 2023)

Lee Ronald Murphy

(Resignation effective on 20 March 2023)

Ronald Everett Simmons

(Appointment effective on 20 October 2023)

**REPORT OF THE DIRECTORS** (continued)

**DIRECTORS' INTERESTS**

During the year, FWD Group Holdings Limited ("FGHL"), an intermediate holding company of the Company, assumed the awards granted under the FWD Share Option and RSU Plan (the "Plan") by FWD Limited and FWD Group Limited, both of which are wholly-owned subsidiaries of FGHL.

Upon the vesting of awards granted pursuant to the Plan, participants are issued with shares of FGHL. Participants, which include certain directors of the Company, are granted share awards pursuant to the Plan to reward service and the achievement of shareholder value targets. These awards are in the form of a contingent right to receive shares or a conditional allocation of shares. These share awards have vesting periods. Vesting of all awards granted to employees is conditional upon the relevant employee being in active employment at the time of vesting. Vesting of certain awards is also subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to vesting.

On 31 July 2023, the ordinary shares of FWD Limited held by Lau Chi Kin were exchanged for the shares of FGHL.

Further details of the FWD Share Option and RSU Plan of the Company's intermediate holding company are set out in Note 24 to the financial statements.

Apart from the above, at no time during the year was the Company or any of its subsidiaries, holding companies, or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS**

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

**PERMITTED INDEMNITY PROVISIONS**

During the year and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors of the Company. The permitted indemnity provisions are provided for in the Company's Bye-Laws and in the directors and officers liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against such directors.

**MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

**DONATIONS**

During the year, the Company made donation amounted to US\$13,000 (2022: US\$Nil).

**REPORT OF THE DIRECTORS** (continued)

**MATERIAL REINSURANCE ARRANGEMENTS**

The followings are the material reinsurance arrangements effected by the Company during the year:

<u>Name of reinsurers</u>	<u>Class of business</u>
China Life Reinsurance Company Limited	Life assurance
China Reinsurance (Hong Kong) Company Limited	Life assurance
General Reinsurance AG	Life assurance
RGA Reinsurance Company	Life assurance and catastrophe reinsurance
RGA Global Reinsurance Company Limited	Life assurance
Munich Reinsurance Company	Life assurance and group life
Munich Reinsurance Company Singapore branch	Life assurance
Swiss Re Asia Pte. Ltd	Life assurance and permanent health
Shanghai Pilot FTZ Branch of Taiping Life Insurance Company Limited	Life assurance
Hannover Rück SE Hong Kong Branch	Life assurance
Hannover Rück SE Shanghai Branch	Life assurance
Tai Ping Reinsurance Company Limited	Life assurance
Partner Reinsurance Asia Pte. Ltd	Life assurance
Bolttech Insurance (Hong Kong) Company Limited	Group medical
China BOCOM Insurance Co., Ltd	Group medical

The Company entered into coinsurance arrangement with Munich Reinsurance Company to cede new business of selected traditional life products issued between 1 January 2014 and 31 December 2019.

The Company also entered into coinsurance arrangement with FWD Life Insurance Company (Macau) Limited and FWD Life (Hong Kong) Limited to assure new business/renewal business of selected traditional life products issued since 1 October 2020.

Upon the regulatory change of a risk-based capital regime ("HKRBC") implementation, policies ceded under coinsurance arrangements with Munich Reinsurance Company were recaptured on 30 April 2023.

**AUDITOR**

The financial statements now presented have been audited by Ernst & Young, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

**EVENTS AFTER THE REPORTING PERIOD**

On 8 March 2024, the Company issued 26,290,600 ordinary shares of US\$1 each to FWD Management Holdings Limited, the immediate holding company of the Company, with a total consideration of US\$26,290,600.

On 8 March 2024, the Company further acquired 21% shareholding of FWD Takaful Berhad, a subsidiary of the Company with a total consideration of US\$26,290,600. After the completion of acquisition, the percentage of ownership interest in FWD Takaful Berhad increased from 49% to 70%.

**ON BEHALF OF THE BOARD**

x 

LAU CHI KIN  
DIRECTOR

Hong Kong  
22 April 2024



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

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**Independent auditor's report**  
**To the members of FWD Life Insurance Company (Bermuda) Limited**  
富衛人壽保險(百慕達)有限公司  
(Incorporated in Bermuda with limited liability)

**Opinion**

We have audited the financial statements of FWD Life Insurance Company (Bermuda) Limited (the "Company") set out on pages 6 to 126, which comprise the statement of financial position as at 31 December 2023, 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 31 December 2023, 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 are responsible for the other information. The other information comprises the information included in the report of the directors, other than the financial statements and our auditor's report thereon.

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.

**Responsibilities of the directors for the financial statements**

The directors 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 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 either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Independent auditor's report** (continued)  
**To the members of FWD Life Insurance Company (Bermuda) Limited**  
富衛人壽保險(百慕達)有限公司  
(Incorporated in Bermuda with limited liability)

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

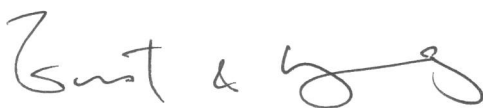
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.
- 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 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  
22 April 2024

FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED  
富衛人壽保險(百慕達)有限公司

**STATEMENT OF PROFIT OR LOSS**

US\$'000	Notes	Year ended 31 December	
		2023	2022
			(Restated)*
Insurance revenue	4	882,502	740,890
Insurance service expenses	6,13	(641,911)	(648,987)
Net expenses from reinsurance contracts held	13	(6,262)	(37,550)
<b>Insurance service result</b>		<b>234,329</b>	<b>54,353</b>
Interest revenue		432,186	395,925
Other investment losses		(111,659)	(590,806)
Net impairment loss on financial assets		(2,754)	(7,928)
<b>Investment return</b>	5	<b>317,773</b>	<b>(202,809)</b>
Net finance (expenses)/income from insurance contracts		(448,136)	227,379
Net finance income/(expenses) from reinsurance contracts held		4,403	(12,089)
Movement in investment contract liabilities		3,727	1,045
<b>Net investment result</b>	5	<b>(122,233)</b>	<b>13,526</b>
<b>Net insurance and investment result</b>		<b>112,096</b>	<b>67,879</b>
Other revenue	4	42,627	36,622
General and other expenses	6	(105,826)	(128,103)
Borrowings and other finance costs	7	(15,035)	(8,805)
<b>Profit/(loss) before tax</b>		<b>33,862</b>	<b>(32,407)</b>
Income tax	8	63,111	(6,533)
<b>Profit/(loss) for the year</b>		<b>96,973</b>	<b>(38,940)</b>

\*Please refer to Note 2.1 for the restated comparative information.



FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED  
富衛人壽保險(百慕達)有限公司

**STATEMENT OF COMPREHENSIVE INCOME**

US\$'000	Year ended 31 December	
	2023	2022
		(Restated)*
<b>Profit/(loss) for the year</b>	96,973	(38,940)
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Fair value gains/(losses) on debt securities at fair value through other comprehensive income (net of tax of: 31 December 2023: US\$108,845,000 and 31 December 2022: US\$(369,684,000))	749,919	(2,004,465)
Fair value gains on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment (net of tax of: 31 December 2023: US\$(33,659,000) and 31 December 2022: US\$(10,748,000))	(231,902)	(58,274)
Net finance (expenses)/income from insurance contracts (net of tax of: 31 December 2023: US\$(63,979,000) and 31 December 2022: US\$342,028,000)	(323,789)	1,730,869
Net finance (expenses)/income from reinsurance contracts held (net of tax of: 31 December 2023: US\$(817,000) and 31 December 2022: US\$5,219,000)	(4,132)	26,414
Cash flow hedges (net of tax of: 31 December 2023: US\$10,000 and 31 December 2022: US\$(868,000))	50	(4,394)
Foreign currency translation adjustments	274	—
Total other comprehensive income	190,420	(309,850)
<b>Total comprehensive income</b>	<b>287,393</b>	<b>(348,790)</b>

\*Please refer to Note 2.1 for the restated comparative information.

FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED  
富衛人壽保險(百慕達)有限公司

**STATEMENT OF FINANCIAL POSITION**

US\$'000	Notes	As at 31 December		As at 1 January
		2023	2022	2022
			(Restated)*	(Restated)*
<b>ASSETS</b>				
Intangible assets	11	975	978	981
Property, plant and equipment	9	14,628	14,440	13,586
Right-of-use assets	10	63,648	54,234	55,884
Investments in subsidiaries	12	1,272,164	1,203,228	1,084,339
Insurance contract assets	13	61,577	39,786	9,114
Reinsurance contract assets	13	325,358	379,494	631,987
<b>Financial investments</b>	14,16			
At fair value through other comprehensive income debt securities		9,810,514	9,670,265	11,240,292
At fair value through profit or loss				
Debt securities		644,149	644,017	430,653
Equity securities		91,249	76,098	158,439
Interests in investment funds		4,768,888	4,355,591	4,313,800
Derivative financial instruments	15	27,450	62,064	22,682
Loans and deposits		5,222	6,431	89,115
		15,347,472	14,814,466	16,254,981
Deferred tax assets	8	50,516	—	—
Prepayments, deposits and other receivables	17	196,406	163,617	147,840
Due from an immediate holding company	26	5	5	5
Due from subsidiaries	26	24,661	14,072	5,117
Due from fellow subsidiaries	26	37,582	28,126	31,317
Due from related companies	26	2,072	3,758	2,571
Cash and cash equivalents	18	352,777	225,805	354,065
		17,749,841	16,942,009	18,591,787
Assets classified as held-for-sale	19	—	—	40,000
<b>Total assets</b>		<b>17,749,841</b>	<b>16,942,009</b>	<b>18,631,787</b>
<b>LIABILITIES</b>				
Insurance contract liabilities	13	13,856,243	12,837,719	14,582,532
Reinsurance contract liabilities	13	141,686	350,600	372,798
Investment contract liabilities	20	56,375	112,134	151,488
Derivative financial instruments	15	65,819	18,089	31,900
Lease Liabilities	22	64,762	53,864	55,634
Deferred tax liabilities	8	—	51,197	151,889
Current tax liabilities		67,085	73,172	—
Other liabilities	21	295,251	571,347	283,554
Due to intermediate holding company	26	2,498	1,213	707
Due to subsidiaries	26	245,223	238,808	241,873
Due to fellow subsidiaries	26	19,041	30,674	17,197
Due to related companies	26	1,604	1,987	2,618
<b>Total liabilities</b>		<b>14,815,587</b>	<b>14,340,804</b>	<b>15,892,190</b>

\*Please refer to Note 2.1 for the restated comparative information.

FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED  
 富衛人壽保險(百慕達)有限公司

STATEMENT OF FINANCIAL POSITION (continued)

US\$'000	Notes	As at 31 December		As at 1 January
		2023	2022 (Restated)*	2022 (Restated)*
<b>EQUITY</b>				
Share capital	23.1	1,829,602	1,784,143	1,575,254
Share option reserve		13,605	13,408	11,899
Retained earnings		1,235,355	1,138,382	1,177,322
Fair value reserve		(1,226,353)	(1,744,370)	318,369
Insurance finance reserve		1,097,757	1,425,678	(331,605)
Cash flow hedge reserve		(15,986)	(16,036)	(11,642)
Foreign currency translation reserve	23.2	274	—	—
<b>Total equity</b>		<b>2,934,254</b>	<b>2,601,205</b>	<b>2,739,597</b>
<b>Total liabilities and equity</b>		<b>17,749,841</b>	<b>16,942,009</b>	<b>18,631,787</b>

\*Please refer to Note 2.1 for the restated comparative information.

Approved and authorised for issue by the board of directors on 22 April 2024

x 

Lau Chi Kin  
 DIRECTOR



Damis Jacobus Ziengs  
 DIRECTOR

FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED  
富衛人壽保險(百慕達)有限公司

STATEMENT OF CHANGES IN EQUITY

US\$'000	Notes	Share Capital	Share option reserve	Retained earnings	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total equity
<b>Balance at 1 January 2023, as previously reported</b>		1,784,143	13,408	3,221,303	(1,626,146)	—	(16,036)	—	3,376,672
Adjustment on initial application of HKFRS 17, net of tax	2.1	—	—	(2,190,525)	—	1,425,678	—	—	(764,847)
Adjustment on initial application of HKFRS 9, net of tax	2.1	—	—	107,604	(118,224)	—	—	—	(10,620)
<b>Balance at 1 January 2023</b>		1,784,143	13,408	1,138,382	(1,744,370)	1,425,678	(16,036)	—	2,601,205
Profit for the year		—	—	96,973	—	—	—	—	96,973
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>									
Fair value gains on debt securities at fair value through other comprehensive income		—	—	—	749,919	—	—	—	749,919
Fair value gains on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	(231,902)	—	—	—	(231,902)
Net finance expenses from insurance contracts and reinsurance contracts held		—	—	—	—	(327,921)	—	—	(327,921)
Cash flow hedges		—	—	—	—	—	50	—	50
Foreign currency translation adjustments		—	—	—	—	—	—	274	274
<b>Total comprehensive income for the period</b>		—	—	96,973	518,017	(327,921)	50	274	287,393
Issue of ordinary shares	23.1	45,459	—	—	—	—	—	—	45,459
Equity-settled share option arrangements	24	—	197	—	—	—	—	—	197
<b>Balance at 31 December 2023</b>		1,829,602	13,605	1,235,355	(1,226,353)	1,097,757	(15,986)	274	2,934,254

FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED  
富衛人壽保險(百慕達)有限公司

STATEMENT OF CHANGES IN EQUITY (continued)

US\$'000	Notes	Share Capital	Share option reserve	Retained earnings	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total equity
<b>Balance at 1 January 2022, as previously reported</b>		1,575,254	11,899	270,963	564,222	—	(11,642)	—	2,410,696
Adjustment on initial application of HKFRS 17, net of tax	2.1	—	—	631,846	—	(331,605)	—	—	300,241
Adjustment on initial application of HKFRS 9, net of tax	2.1	—	—	274,513	(245,853)	—	—	—	28,660
<b>Restated balance at 1 January 2022</b>		1,575,254	11,899	1,177,322	318,369	(331,605)	(11,642)	—	2,739,597
Loss for the year		—	—	(38,940)	—	—	—	—	(38,940)
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>									
Fair value losses on debt securities at fair value through other comprehensive income		—	—	—	(2,004,465)	—	—	—	(2,004,465)
Fair value gains on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	(58,274)	—	—	—	(58,274)
Net finance income from insurance contracts and reinsurance contracts held		—	—	—	—	1,757,283	—	—	1,757,283
Cash flow hedges		—	—	—	—	—	(4,394)	—	(4,394)
<b>Total comprehensive income for the period</b>		—	—	(38,940)	(2,062,739)	1,757,283	(4,394)	—	(348,790)
Issue of ordinary shares	23.1	918,815	—	—	—	—	—	—	918,815
Redemption of preference shares	23.1	(709,926)	—	—	—	—	—	—	(709,926)
Equity-settled share option arrangements	24	—	1,509	—	—	—	—	—	1,509
<b>Restated balance at 31 December 2022*</b>		1,784,143	13,408	1,138,382	(1,744,370)	1,425,678	(16,036)	—	2,601,205

\*Please refer to Note 2.1 for the restated comparative information.

**STATEMENT OF CASH FLOWS**

US\$'000	Notes	Year ended 31 December	
		2023	2022 (Restated)*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		33,862	(32,407)
Adjustments for:			
Insurance and reinsurance contract balances		449,235	559,340
Investment contract liabilities		(55,759)	(39,354)
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(331,461)	444,317
Operating cash items:			
Dividend received		176,241	137,554
Interest received		470,554	404,653
Investment expenses paid		(23,610)	(24,586)
Finance cost paid		(2,244)	(1,891)
Income tax paid		(50,079)	—
Payments for purchase of financial assets		(5,639,939)	(8,248,739)
Proceeds from disposal of financial assets		5,411,973	6,361,702
Increase in amount due from subsidiaries		(10,589)	(8,955)
(Increase)/decrease in amount due from fellow subsidiaries		(9,456)	3,191
Decrease/(increase) in amount due from related companies		1,686	(1,187)
Increase in amount due to intermediate holding company		1,285	506
Decrease in amount due to subsidiaries		6,415	(3,065)
(Decrease)/increase in amount due to fellow subsidiaries		(11,633)	13,477
Increase/(decrease) in amount due to related companies		(383)	(631)
<b>Net cash generated from/(used in) operating activities</b>		<b>416,098</b>	<b>(436,075)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		(7,276)	(8,107)
Proceeds from change in lease terms on contracts		337	517
Proceeds from disposals of property, plant and equipment		—	147
Capital contribution to subsidiaries and proceeds from sales of a subsidiary		(68,936)	(78,889)
<b>Net cash used in investing activities</b>		<b>(75,875)</b>	<b>(86,332)</b>

FWD LIFE INSURANCE COMPANY (BERMUDA) LIMITED  
富衛人壽保險(百慕達)有限公司

**STATEMENT OF CASH FLOWS** (continued)

US\$'000	Notes	Year ended 31 December	
		2023	2022 (Restated)*
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of preference shares	23.1	—	(709,926)
Issuance of ordinary shares	23.1	45,459	918,815
(Payments to)/proceeds from repurchase agreements		(228,483)	208,853
Principal portion of lease payments		(17,436)	(16,681)
Finance costs paid on repurchase agreements		(12,791)	(6,914)
<b>Net cash (used in)/generated from financing activities</b>		<b>(213,251)</b>	<b>394,147</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the year		225,805	354,065
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>352,777</b>	<b>225,805</b>
Included in cash and cash equivalents per the statements of financial position	18	352,777	225,805

\*Please refer to Note 2.1 for the restated comparative information.

## 1 CORPORATE INFORMATION

### 1.1 General information

FWD Life Insurance Company (Bermuda) Limited (the “Company”) is incorporated in Bermuda and registered in Hong Kong to carry on long term insurance business. The principal place of business of the Company in Hong Kong is located at 18th Floor, Devon House, Taikoo Place, 979 King’s Road, Hong Kong. The principal activity of the Company is the direct underwriting of long term life insurance business. The controlling party of the Company is FWD Management Holdings Limited, a company incorporated in Hong Kong.

As at 31 December 2023 and 2022, the immediate and ultimate holding company of the Company was PCGI Holdings Limited. PCGI Holdings Limited is wholly owned by Mr. Li Tzar Kai, Richard, the ultimate controlling shareholder of the Company (the “Ultimate Controlling Shareholder”).

### 1.2 Statement of compliance

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.

## 2 MATERIAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except as stated in the accounting policy set out below. These financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand (“US\$’000”) except when otherwise indicated.

In accordance with the criteria set out in paragraph 4(a) of HKFRS 10, Consolidated Financial Statements, the Company is exempt from the preparation of consolidated financial statements because FWD Limited, which is the intermediate holding company of the Company and incorporated in Cayman Islands, produces consolidated financial statements in accordance with International Financial Reporting Standards that are available for public use. The Company presents separate financial statements.

The accounting policies adopted are consistent with those followed in the financial statements for the year ended 31 December 2023, except as described as follows.

#### (a) Mandatory for the year ended 31 December 2023

The following relevant new standards have been adopted for the first time for the years presented:

- i. HKFRS 17 Insurance Contracts
- a. Recognition, measurement and presentation of insurance contracts

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts held and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company’s estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (“CSM”).

Under HKFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.



## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. HKFRS 17 Insurance Contracts (continued)

a. Recognition, measurement and presentation of insurance contracts (continued)

Insurance finance income and expenses, disaggregated between profit or loss and other comprehensive income (“OCI”) for insurance contracts, are presented separately from insurance revenue and insurance service expenses.

The Company applies the Premium Allocation Approach (“PAA”) to simplify the measurement of contracts in the group medical business with a coverage period of one year or less, except for groups of contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Company’s previous accounting treatment.

Under HKFRS 17, insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts held other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for insurance and reinsurance contracts held under HKFRS 17, see Note 2.2.

b. Transition

#### *Full retrospective approach*

Changes in accounting policies resulting from the adoption of HKFRS 17 have been applied using a full retrospective approach to the extent practicable. The Company has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2021. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts held as if HKFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if HKFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, policy loans classified as financial investments, insurance receivables and payables. Under HKFRS 17, they are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in HKFRS 17 and has not disclosed the impact of the adoption of HKFRS 17 on each financial statement line item. The effects of adopting HKFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. HKFRS 17 Insurance Contracts (continued)

b. Transition (continued)

The Company applied the modified retrospective approach or the fair value approach in HKFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 when it was impracticable to apply the full retrospective approach.

The Company considered the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows and risk adjustment for non-financial risk on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.
- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
  - assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk.

#### *Modified retrospective approach*

The application of the full retrospective approach on transition for certain portfolios was determined to be impracticable for the Company, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible. Therefore, the Company has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

#### *Fair value approach*

The Company has applied the fair value approach on transition for all other groups of contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Company has applied the requirements of HKFRS 13 Fair Value Measurement.

The Company used the income approach to fair value the insurance contracts at the transition date.

Irrespective of the transition approach used, the following items have not been applied retrospectively.

- The consequential amendments to HKFRS 3 Business Combinations introduced by HKFRS 17 require the Company to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. As there were no business combinations during the year, the amendments did not have any impact to the finance statement of the Company.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

i. HKFRS 17 Insurance Contracts (continued)

b. Transition (continued)

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Company has provided additional disclosures in Notes 4, 6 and 13.

#### *Assets for insurance acquisition cash flows*

The Company also applied the modified retrospective approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Company would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

ii. HKFRS 9 Financial Instruments

HKFRS 9 sets out requirements for recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting, which replaces HKAS 39 Financial Instruments: Recognition and Measurement.

HKFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under HKFRS 9 is generally based on the business model in which a financial asset is managed and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). For impairment, HKFRS 9 replaces the "incurred loss" model in HKAS 39 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under HKFRS 9, credit losses are recognised earlier than under HKAS 39. For financial liabilities, HKFRS 9 has not had a significant effect on the Company. Refer to Note 2.4 for the Company's new accounting policies adopted in accordance with HKFRS 9.

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below.

- The comparative financial statements have been restated. The Company has elected to adopt the classification overlay and apply ECL model to financial instruments that had been derecognised before 1 January 2023.
- The Company has elected, as an accounting policy choice under HKFRS 9, to continue to apply the hedge accounting requirements of HKAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed before 1 January 2023:
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;
  - If a financial asset had low credit risk at 1 January 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. HKFRS 9 Financial Instruments (continued)

Classification and measurement

The following table shows a reconciliation between the carrying amounts under HKAS 39 to the balances reported under HKFRS 9 as at 1 January 2022.

US\$'000	HKAS 39 measurement		Re- classification	Re- measurement	HKFRS 9 measurement	
	Category	Amount			Category	Amount
Financial investments						
Debt securities <sup>1</sup>	HTM	397,662	9,051	3,691	N/A	12,742
			388,611	25,018	Debt securities FVTPL (mandatory)	413,629
	AFS	11,244,574	417,911		N/A	417,911
			10,826,663		Debt securities FVOCI (mandatory)	10,826,663
Equity securities and investment funds <sup>2</sup>	AFS	1,397,866	29,700		N/A	29,700
			1,368,166		Equity securities FVTPL (mandatory)	1,368,166
	FVTPL (designated)	3,074,373	128,739		N/A	128,739
			2,945,634		Equity securities FVTPL (mandatory)	2,945,634
Derivative financial instruments, net	FVTPL (held for trading)	(9,218)	(9,218)		FVTPL (mandatory)	(9,218)
Loans and deposits, excluding policy loans	L&R	89,164	89,164	(49)	Amortised cost	89,115
<b>Total financial assets</b>		<b>16,194,421</b>	<b>16,194,421</b>	<b>28,660</b>		<b>16,223,081</b>

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. HKFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

The following table shows a reconciliation between the carrying amounts of the Company's financial assets under HKAS 39 to the balances reported under HKFRS 9 as at the date of initial application, 1 January 2023. The measurement categories of the Company's financial liabilities did not change upon adoption of HKFRS9.

US\$'000	HKAS 39 measurement		Re- classification	Re- measurement	HKFRS 9 measurement	
	Category	Amount			Category	Amount
<b>Financial investments</b>						
Debt securities <sup>1</sup>	HTM	304,607			N/A	
			9,047	268	Debt securities FVTPL (mandatory)	9,315
			295,560	(13,485)	Debt securities FVOCI (mandatory)	282,075
	AFS	9,815,205			N/A	
			427,015		Debt securities FVTPL (mandatory)	427,015
			9,388,190		Debt securities FVOCI (mandatory)	9,388,190
FVTPL (designated)	207,687			N/A		
		207,687		Debt securities FVTPL (mandatory)	207,687	
Equity securities and investment funds <sup>2</sup>	AFS	1,566,267			N/A	
			10,480		Equity securities FVTPL (mandatory)	10,480
			1,555,787		Investment funds <sup>3</sup> FVTPL (mandatory)	1,555,787
	FVTPL (designated)	2,865,422			N/A	
			65,618		Equity securities FVTPL (mandatory)	65,618
			2,799,804		Investment funds <sup>3</sup> FVTPL (mandatory)	2,799,804
Derivative financial instruments, net	FVTPL (held for trading)	43,975	43,975		FVTPL (mandatory)	43,975
Loans and deposits, excluding policy loans	L&R	6,449	6,449	(18)	Amortised cost	6,431
<b>Total financial assets</b>		<b>14,809,612</b>	<b>14,809,612</b>	<b>(13,235)</b>		<b>14,796,377</b>

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. HKFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

AFS: Available-for-sale investments

L&R: Loans and receivables

AC: Financial assets or financial liabilities at amortised cost

HTM: Held-to-maturity investments

Notes:

- <sup>1)</sup> Certain debt securities previously classified as AFS under HKAS 39 were classified as FVTPL because their cash flows are not solely payments of principal and interest on the principal outstanding. Debt securities that were classified as FVOCI under HKFRS 9 because their contractual cash flows demonstrate solely payments of principal and interest on the principal outstanding. The Company reviewed its business model over these debt securities and concluded that the return of investment shall be achieved by both collecting contractual cash flows and sale of these investments. The Company designated certain debt securities in policyholder and shareholder investments as at FVTPL under HKAS 39. Upon initial application of HKFRS 9, the Company revoked its previous designation and classified these debt securities based on their contractual cash flows characteristics and business model assessment.
- <sup>2)</sup> Equity securities are mandatorily measured at FVTPL under HKFRS 9. As such, these investments are no longer required to be designated at FVTPL.
- <sup>3)</sup> Under HKAS 39, certain investment funds were designated as at FVTPL because the Company managed them and evaluated their performance on a fair value basis. The Company also designated some investment funds as AFS. Under HKFRS 9, these investments are mandatorily measured at FVTPL because they represent either redeemable units of the funds or units of funds with a limited life and their contractual cash flows are not solely payments of principal and interest on the principal outstanding.

The Company's accounting policies on the classification of financial instruments under HKFRS 9 are set out in Note 2.3.1.

Impairment of financial assets

The following tables reconcile the closing impairment allowance under HKAS 39 with the opening loss allowance under HKFRS 9.

US\$'000	31 December 2021			1 January 2022
	HKAS 39	Reclassification	Remeasurement	HKFRS 9
Debt securities at FVOCI under HKFRS 9				
– From available-for-sale under HKAS 39	—	—	(4,540)	(4,540)
Loans and deposits at amortised cost under HKFRS 9				
– From loans and receivables under HKAS 39, excluding policy loans	(493)	—	(49)	(542)
<b>Total</b>	<b>(493)</b>	<b>—</b>	<b>(4,589)</b>	<b>(5,082)</b>

US\$'000	31 December 2022			1 January 2023
	HKAS 39	Reclassification	Remeasurement	HKFRS 9
Debt securities at FVOCI under HKFRS 9				
– From available-for-sale under HKAS 39	—	—	(12,194)	(12,194)
Loans and deposits at amortised cost under HKFRS 9				
– From loans and receivables under HKAS 39, excluding policy loans	(602)	—	(18)	(620)
<b>Total</b>	<b>(602)</b>	<b>—</b>	<b>(12,212)</b>	<b>(12,814)</b>

Refer to Note 28 for further details of the loss allowance under HKFRS 9.

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.1 Basis of preparation** (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

ii. HKFRS 9 Financial Instruments (continued)

Impact of transition to HKFRS 9 on reserves and accumulated losses

The impact of transition to HKFRS 9 on the Company's fair value reserves and retained earning as at 1 January 2022 is as follows:

US\$'000	Retained earning	Fair value reserve
Closing balance under HKAS 39 as at 31 December 2021	270,963	564,222
Reclassify investments from AFS to FVTPL	386,351	(386,351)
Reclassify investments from HTM to FVTPL/FVOCI	3,691	25,018
Recognition of HKFRS 9 ECL for debt securities at FVOCI and loans and deposits at amortised cost	(4,589)	4,540
Deferred tax in relation to HKFRS 9 application	(110,940)	110,940
Adjustment on initial application of HKFRS 17, net of tax	631,846	—
Opening balance under HKFRS 9, as at 1 January 2022	<u>1,177,322</u>	<u>318,369</u>

The impact of transition to HKFRS 9 on the Company's fair value reserves and retained earning as at 1 January 2023 is as follows:

US\$'000	Retained earning	Fair value reserve
Closing balance under HKAS 39 as at 31 December 2022	3,221,303	(1,626,146)
Reclassify investments from AFS to FVTPL	140,293	(140,293)
Reclassify investments from HTM to FVTPL/FVOCI	268	(13,485)
Recognition of HKFRS 9 ECL for debt securities at FVOCI and loans and deposits at amortised cost	(12,212)	12,194
Other deferred tax impact <sup>1</sup>	(20,745)	23,360
Adjustment on initial application of HKFRS 17, net of tax	(2,190,525)	—
Opening balance under HKFRS 9, as at 1 January 2023	<u>1,138,382</u>	<u>(1,744,370)</u>

Note:

- <sup>1</sup> In the financial statements prepared under HKAS 39 and HKFRS 4, there are unrecognised deferred tax assets in relation to the fair value losses on available for sale financial assets as it was not considered probable that taxable profit will be available against which these deductible temporary difference can be utilised. In the financial statements prepared under HKFRS 9 and HKFRS 17, there are additional deferred tax liabilities recognised as a result of increase in taxable temporary differences arisen from restated insurance contract balances, and deferred tax assets for the deductible temporary differences in relation to the fair value losses on FVOCI debts instruments were recognised as sufficient taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary difference.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

(a) Mandatory for the year ended 31 December 2023 (continued)

iii. Other amendments

- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies (2023)
- Amendments to HKAS 8, Definition of Accounting Estimates (2023)
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023)
- Amendments to HKAS 12, International Tax Reform - Pillar Two Model Rules (2023)

#### Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Company has disclosed the material accounting policy information in Note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any item in the Company's financial statements.

#### Amendments to HKAS 8 Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Company's approach and policy align with the amendments, the amendments had no impact on the Company's financial statements.

#### Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Company's financial statements.

#### Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Company has applied the amendments retrospectively. Since the Company did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Company.



## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

(b) Issued but not yet effective and have not been early adopted for the year ended 31 December 2023

The following relevant new standards and amendments to standards have been issued but are not effective for the year ended 31 December 2023 and have not been early adopted:

- Amendments to HKFRS 10 and HKAS28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>3</sup>
- Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*<sup>1</sup>
- Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*<sup>1, 4</sup>
- Amendments to HKAS 1, *Non-current Liabilities with Covenants (the "2022 Amendments")*<sup>1</sup>
- Amendments to HKAS 7 and HKFRS 7, *Supplier Finance Arrangements*<sup>1</sup>
- Amendments to HKAS 21, *Lack of Exchangeability*<sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

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

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Company is assessing the impact of these amendments.

### 2.2 Insurance and investment contracts

Consistent accounting policies for the measurement and recognition of insurance and investment contracts have been adopted throughout the Company.

#### (1) Product classification

The Company classifies its contracts written including reinsurance issued or reinsurance contracts held as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Company applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts. The Company refers to such contracts as participating business.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Company to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, *HKFRS 9 Financial Instruments*, and, if the contract includes an investment management element, *HKFRS 15, Revenue from contracts with customers*, are applied. Once a contract has been classified as an insurance contract reclassification is not subsequently performed unless the terms of the agreements are later amended.

Certain insurance and investment contracts with DPF supplement the amount of guaranteed benefits due to policyholders. These contracts are distinct from other insurance and investment contracts as the Company has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the entity, fund or other entity that issues the contract.

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.2 Insurance and investment contracts** (continued)

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts held are classified as contracts without direct participation features. Some of these contracts are measured under the premium allocation approach (“PAA”).

The Company’s products may be divided into the following main categories:

Policy type	Description of benefits payable	Basis of accounting for:	
		Insurance contract liabilities	Investment contract
Traditional participating life assurance with DPF	Participating funds Participating products include protection and savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing and bonus declarations is at the discretion of the insurer. Local regulators generally prescribed a minimum proportion of policyholder participation in declared dividend.	Insurance contract liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a CSM representing the unearned profit the Company will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under HKFRS 17.
	Other participating business Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a CSM representing the unearned profit the Company will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under HKFRS 17.
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a CSM representing the unearned profit the Company will recognise as it provides service to the contract is recognised.	Investment contract liabilities without DPF are measured at amortised cost
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a CSM representing the unearned profit the Company will recognise as it provides service to the contract is recognised.	Not applicable as such contracts generally contain significant insurance risk
Unit-linked	These may be primarily savings products or may combine savings with an element of protection	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a CSM representing the unearned profit the Company will recognise as it provides service to the contract is recognised.	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.1 Life insurance contracts and investment contracts with DPF

##### (1) *Separating components from insurance and reinsurance contracts issued*

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

##### (2) *Aggregation and recognition of insurance and reinsurance contracts issued*

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

##### (3) *Insurance acquisition cash flows*

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. The Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Company expects to recover those cash flows.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.1 Life insurance contracts and investment contracts with DPF (continued)

##### (3) Insurance acquisition cash flows (continued)

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than HKFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated.

The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Company acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

##### Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- b. if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

##### (4) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks.

**2 MATERIAL ACCOUNTING POLICIES** (continued)

**2.2 Insurance and investment contracts** (continued)

**2.2.1 Life insurance contracts and investment contracts with DPF** (continued)

(5) *Measurement – Contracts not measured under the PAA*

Initial measurement

On initial recognition, the Company measures a group of insurance contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of insurance contracts do not reflect the Company's non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of insurance contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (3)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.1 Life insurance contracts and investment contracts with DPF (continued)

##### (5) Measurement – Contracts not measured under the PAA (continued)

###### Subsequent measurement (continued)

The CSM of each group of contracts is calculated at each reporting date as follows.

###### *Insurance contracts without direct participation features*

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year;
- differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

###### *Direct participation contracts measured under variable fee approach (“VFA”)*

Direct participating contracts are contracts under which the Company’s obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Company’s share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Company provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the amount of the Company’s share of the fair value of the underlying items, which relate to future services, as explained below.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.1 Life insurance contracts and investment contracts with DPF (continued)

##### (5) Measurement – Contracts not measured under the PAA (continued)

###### Subsequent measurement (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - the Company has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

##### (6) Measurement – Contracts measured under the PAA

The Company generally uses the PAA to simplify the measurement of groups of contracts in the following circumstances:

- when the coverage period of each contract in the group is one year or less; or
- the Company reasonably expects that the resulting measurement of the liabilities for remaining coverage ("LRC") would not differ materially from the result of applying the accounting policies of contracts not measured under the PAA.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows for life insurance contracts). For non-life insurance contracts, the Company has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.1 Life insurance contracts and investment contracts with DPF (continued)

##### (7) Derecognition and contract modification

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Company received the premium that it would have charged less any additional premium charged for the modification.

##### (8) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components.



## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.1 Life insurance contracts and investment contracts with DPF (continued)

##### (8) Presentation (continued)

##### Insurance revenue – Contracts not measured under the PAA

The Company recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Company expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, such as experience adjustments for premium receipts for current or past services

In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Company recognises the allocated amount, as insurance revenue and an equal amount as insurance service expenses.

##### *Release of the CSM*

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount;
- the investment component or withdrawal amount is expected to include an investment return; and
- the Company expects to perform investment activities to generate that investment return.

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

##### Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period by the passage of time.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.1 Life insurance contracts and investment contracts with DPF (continued)

##### (8) Presentation (continued)

##### Loss components

For contracts not measured under the PAA, the Company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as “reversals of losses on onerous contracts” and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows, excluding investment component, plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Changes in fulfilment cash flows relating to future services and changes in the amount of the Company’s share of the fair value of the underlying items for direct participating contracts are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

##### Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses: For some contracts, incurred claims also include premiums waived on detection of critical illness.
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, other than non-life contracts, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

## **2 MATERIAL ACCOUNTING POLICIES** (continued)

### **2.2 Insurance and investment contracts** (continued)

#### **2.2.2 Reinsurance contracts held**

To the extent that reinsurance contracts held do not transfer significant insurance risk (as opposed to financial risk) they are accounted for directly through the statements of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

For reinsurance contracts held that transferred significant insurance risk, they are accounted for as follows.

##### *(1) Aggregation and recognition of reinsurance contracts held*

Groups of reinsurance contracts held are established such that each group comprises a single contract. Some reinsurance contracts held provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts held is recognised on the following date:

- Reinsurance contracts held initiated by the Company that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held initiated by the Company: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date. This applies to the Company's excess of loss and stop loss reinsurance contracts held.
- Reinsurance contracts held acquired: The date of acquisition.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.2 Reinsurance contracts held (continued)

##### (2) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

##### (3) Measurement – Contracts not measured under the PAA

To measure a group of reinsurance contracts held, the Company applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.2 Reinsurance contracts held (continued)

##### (3) *Measurement – Contracts not measured under the PAA* (continued)

###### *Reinsurance of onerous underlying insurance contracts*

The Company adjusts the CSM of the group to which a reinsurance contract belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts held.

For reinsurance contracts held acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss component that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Company expects at the date of acquisition to recover from the reinsurance contracts held.

For reinsurance contracts acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Company uses a systematic and rational method to determine the portion of losses recognised on the onerous group of contracts that relates to underlying contracts covered by the reinsurance contract.

A loss-recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

##### (4) *Measurement – Contracts measured under the PAA*

The Company applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts held measured under the PAA, then the Company adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.2 Reinsurance contracts held (continued)

##### (5) *Derecognition and contract modification*

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Company received the premium that it would have charged less any additional premium charged for the modification.

##### (6) *Presentation*

Portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as "net expenses from reinsurance contracts held" in the insurance service result.

##### Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Insurance and investment contracts (continued)

#### 2.2.2 Reinsurance contracts held (continued)

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts held covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as “reversals of recoveries of losses from the reinsurance contracts held” and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts held.

#### 2.2.3 Investment contracts without DPF

Investment contracts without DPF which do not contain sufficient insurance risk are not considered as insurance contracts and are accounted for as a financial liability.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

##### (1) *Investment contract fee revenue*

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder’s account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

Origination and other “upfront” fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

##### (2) *Investment contract liabilities*

Deposits collected and benefit payments under investment contracts without DPF are not accounted for through the statement of profit or loss, except for the investment income and fees attributed to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Company’s contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) and an unearned revenue liability and sales inducement liability where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers’ account balances are included in revenue, and accounted for as described under “Investment contract fee revenue” above.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Financial Instruments

#### 2.3.1 Classification and measurement of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### (1) *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

##### (2) *Financial asset is measured at fair value through other comprehensive income*

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

Financial asset is measured at FVOCI are initially recognised at fair value plus attributable transaction costs. The difference between the initial recognition amount and par value is amortised. Interest income from FVOCI debt securities is recognised in investment income in the statement of profit or loss using the effective interest method. FVOCI debt securities are subsequently measured at fair value. Changes in the fair value, except for relevant foreign exchange gains and losses and impairment losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity. Foreign currency translation differences on these debt securities are calculated as if they were carried at amortised cost and are recognised in the statement of profit or loss as investment experience. Impairment losses are recognised in the statement of profit or loss.

On initial recognition of an equity security that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Dividend income from equity securities or investment funds at fair value through profit or loss is recognised in "investment income" in the statement of profit or loss, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets at fair value through profit or loss, changes in fair value are recognised in "other investment gains/(losses)".

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.



## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Financial Instruments (continued)

#### 2.3.1 Classification and measurement of financial instruments (continued)

##### (4) Business model assessment

The Company assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

For a majority of debt investments, the objective of the Company's business model is to fund insurance contract liabilities. The Company undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Company determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Loans and deposits are held in separate portfolios for long-term yield. These assets may be sold, but such sales are not expected to be more than infrequent. The Company considers that these assets are held within a business model whose objective is to hold assets to collect the contractual cash flows.

##### (5) Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Financial Instruments (continued)

#### 2.3.1 Classification and measurement of financial instruments (continued)

##### (5) *Assessment of whether contractual cash flows are SPPI* (continued)

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark interest rate plus a fixed spread. The Company has determined that these prepayment features are consistent with the SPPI criterion. Because the Company would be compensated only for the change in the market benchmark interest rate and for lost interest margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

##### (6) *Realised gains and losses on financial assets*

Realised gains and losses on FVOCI debt securities are determined as the difference between the sale proceeds and amortised costs and the cumulative gains and losses are reclassified to profit or loss from other comprehensive income.

Cumulative gains and losses recognised in other comprehensive income on FVOCI equity securities are not reclassified to profit or loss but transferred to retained earnings on disposal of an investment.

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Company commits to purchase or sell the assets.

##### (7) *Financial liabilities*

The Company classifies its financial liabilities, into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
  - held-for-trading;
  - derivative hedging instruments; or
  - designated as at FVTPL; and
- financial liabilities at amortised cost.

The Company has designated investment contract liabilities as at FVTPL on initial recognition if the related assets are measured at FVTPL and the designation eliminates a measurement inconsistency.

All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralised. The Company has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

## **2 MATERIAL ACCOUNTING POLICIES** (continued)

### **2.3 Financial Instruments** (continued)

#### **2.3.1 Classification and measurement of financial instruments** (continued)

##### *(8) Derecognition and offset*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Company is exposed to changes in the fair value of the asset.

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled. If the terms of a financial instrument are modified, then the Company evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### *(9) Loans and deposits*

Loans and deposits are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the statement of profit or loss using the effective interest method.

##### *(10) Term deposits*

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 14 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

##### *(11) Cash and cash equivalents and restricted cash*

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities at acquisition of three months or less, which are held for cash management purposes. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions. Cash and cash equivalents are measured at amortised cost using the effective interest method.

Bank deposits which are restricted to use are included in “restricted cash” within “other assets” in the statement of financial position. Restricted cash are excluded from cash and cash equivalents.

#### **2.3.2 Fair values of non-derivative financial instruments**

The fair value of a financial instrument is the amount 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, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Company has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and available for sale securities) are based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions at each reporting date. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 16.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Financial Instruments (continued)

#### 2.3.3 Impairment of financial assets

##### (1) General

The Company recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost and debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to 12-month ECL, except for Stage 2 and Stage 3 assets where a lifetime ECL is recognised.

ECL is assessed in three stages:

Stage 1: if the financial asset is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial asset is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL. Lifetime ECL results from all possible default events over the expected life of the financial instrument; and

Stage 3: if the financial asset is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

For debt securities at low credit risk at the reporting date, it is assumed that the credit risk has not increased significantly since initial recognition, and hence, the loss allowance is measured at an amount up to 12-month ECL.

##### (2) Measurement of ECL

ECL is calculated as a probability-weighted forward-looking estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

##### (3) Credit-impaired financial assets

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

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to mitigating actions. The criteria of default are consistent with those of credit-impaired.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Financial Instruments (continued)

#### 2.3.3 Impairment of financial assets (continued)

##### (3) *Credit-impaired financial assets* (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

##### (4) *Presentation of loss allowances in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

ECL is recognised as “net impairment loss on financial assets” in the statement of profit or loss.

##### (5) *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Company expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities and company activities, that may result in recovery of written off amounts.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Financial Instruments (continued)

#### 2.3.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts, interest rate swaps and bond forwards that derive their value mainly from underlying foreign exchange rates, interest rates and bond prices. All derivatives are initially recognised in the statement of financial position at their fair value, which represents their cost excluding transaction costs which are expensed. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

##### (1) *Derivative instruments for economic hedges*

Whilst the Company enters into derivative transactions to provide economic hedges under the Company's risk management framework, it adopts hedge accounting to these transactions only in limited circumstances. This is either because the transactions would not meet the specific HKFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. Where hedge accounting does not apply, these transactions are treated as held for trading and fair value movements are recognised immediately in other investment gains/(losses).

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

##### (2) *Derivative instruments for hedge accounting*

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

##### (i) *Fair value hedge*

Where a derivative financial instrument is designated as a hedge of the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), changes in the fair value of the derivative are recorded in the statement of profit or loss, together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Company revokes the designation of the hedge relationship, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the statement of profit or loss over the residual period to maturity.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Financial Instruments (continued)

#### 2.3.4 Derivative financial instruments (continued)

##### (2) Derivative instruments for hedge accounting (continued)

##### (ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated separately in the hedging reserve under equity. The ineffective portion of any gain or loss is recognised immediately in the statement of profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated cumulative gain or loss is removed from equity and recognised in the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss (such as when the interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the statement of profit or loss in the same period or periods during which the hedged forecast transaction affects the statement of profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, or the Company revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the statement of profit or loss.

##### (3) Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. When the host contract is a financial asset in the scope of HKFRS 9, the hybrid financial instrument as a whole is assessed for classification and the embedded derivative is not separated from the host contract.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

For other contracts, where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with HKFRS 9.

### 2.4 Foreign currency translation

#### (1) Functional and presentation currency

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which foreign operation and foreign branch operate (the "functional currency"). The financial statements are presented in the United States dollars ("US\$"), which is the functional currency of the Company, unless otherwise stated.

#### (2) Transactions and balances

Statement of profit or loss and cash flows of foreign entities are translated into the Company's presentation currency at average exchange rates for the period as this approximates to the exchange rates prevailing at the transaction date. Their statements of financial position are translated at year or period end exchange rates.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.4 Foreign currency translation (continued)

Exchange differences arising from the translation of the net investment in foreign operations, are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the statement of profit or loss as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the statement of profit or loss.

Translation differences on financial assets designated at fair value through profit or loss are included in investment experience. For monetary financial assets classified as FVOCI, translation differences are calculated as if they were carried at amortised cost and so are recognised in the statement of profit or loss. Foreign exchange movements on non-monetary equities that are accounted for as FVOCI are included in the fair value reserve.

### 2.5 Property, plant and equipment and depreciation

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation. The right-of-use asset in relation to a lease is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, generally:

Leasehold improvements	Over the lease terms
Furniture and fixtures and others	3 - 5 years
Computer equipment	3 - 5 years

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits will flow to the Company. Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date. An asset is written down to its recoverable amount if the carrying value is greater than the estimated recoverable amount.

Any gain and loss arising on disposal of property, plant and equipment is measured as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the statement of profit or loss.

### 2.6 Intangible assets

Intangible assets consist primarily of computer software, and are amortised over their estimated useful lives.

Purchased computer software licenses are capitalised on the basis of the costs incurred to purchase and bring to use the specific software. Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Costs of purchasing computer software licenses and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. The amortisation charge for the period is included in the statement of profit or loss under "general and other expenses".



## **2 MATERIAL ACCOUNTING POLICIES** (continued)

### **2.7 Impairment of non-financial assets**

Property, plant and equipment, and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying values of intangible assets with indefinite useful lives are reviewed at least annually or when circumstances or events indicate that there may be uncertainty over this value.

For the purposes of assessing impairment, assets are allocated to each of the Company's cash-generating units, or group of cash-generating units, the lowest level for which there are separately identifiable cash flows.

An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Company assesses whether the entire carrying amount of the investment is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

### **2.8 Non-current assets and disposal groups held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Company retains a non-controlling interest in its former subsidiary after the sale. Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

### **2.9 Subsidiary**

Subsidiaries are all entities (including structured entities) over which the Company has control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directly by means of contractual arrangement. The Company has determined that the investment funds that the Company has interest are structured entities.

The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries are included in profit or loss to the extent of dividends received and receivable.

The Company classifies its investments in certain subsidiaries at fair value through profit or loss financial instruments in accordance with HKFRS 9 due to the fact that this category of companies is continually managed for total return and evaluated on a fair value basis.

Other investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

### **2.10 Collateral**

The Company receives and pledges collateral in the form of cash or non-cash assets in respect of derivative transactions and reinsurance arrangements, in order to reduce the credit risk of these transactions. The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collateral received in the form of cash, which is not legally segregated from the Company, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.10 Collateral (continued)

Non-cash collateral received is not recognised on the statement of financial position unless the Company sells these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability. To further minimise credit risk, the financial condition of counterparties is monitored on a regular basis.

Collateral pledged in the form of cash which is legally segregated from the Company is derecognised from the statement of financial position and a corresponding receivable established for its return. Non-cash collateral pledged is not derecognised (except in the event of default) and therefore continues to be recognised in the statement of financial position within the appropriate financial instrument classification.

### 2.11 Income taxes

Income tax comprises current and deferred tax. The current tax expense is based on the taxable profits for the period, including any adjustments in respect of prior years. Tax is allocated to profit or loss before taxation and amounts charged or credited to equity as appropriate.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except as described below.

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts. The rates enacted or substantively enacted at the date of the statement of financial position are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. When there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is evidence that future profits will be available.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value remeasurement of FVOCI investments and other amounts taken directly to equity, is recognised initially within the applicable component of equity. It is subsequently recognised in the statement of profit or loss, together with the gain or loss arising on the underlying item.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In addition to paying tax on shareholders' profits, certain of the Company's life insurance businesses pay tax on policyholders' investment returns (policyholder tax) at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense and disclosed separately.

### 2.12 Revenue

#### (1) Insurance revenue

The Company recognises insurance revenue as it provides services under groups of insurance contracts (see 2.2).

#### (2) Investment return

Investment income consists of dividends, interest and rents receivable for the reporting period. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Dividend income is recognised on the date the shares become quoted ex-dividend. Investment return consists of investment income and investment experience.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.12 Revenue (continued)

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the period end and the carrying value at the previous year end or purchase price if purchased during the period, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the period.

#### (3) Other Revenue

Other revenue consists primarily of management fees, income from any incidental non-insurance activities and distribution fees from mutual funds.

Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. In case of variable consideration contracts, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

### 2.13 Employee benefits

#### (1) Annual leave

The Company provides 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 a reporting period is permitted to be carried forward and utilised by the respective employees in the following year. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

#### (2) Post-retirement benefit obligations

The Company operates a number of post-retirement employee benefit schemes, whose members receive benefits on a defined contribution basis (generally related to the amount invested, investment return and annuity rates).

For defined contribution retirement benefits schemes, the Company pays contributions to independently administered funds. Once the contributions have been paid, the Company, as employer, does not have any further payment obligations. The Company's contributions are charged to the statement of profit or loss in the reporting period to which they relate and are included in "employee benefits expenses". When an employee leaves the scheme prior to his/her interest in the Company's employer contributions becoming fully vested, the ongoing contributions payable by the Company may be reduced by the relevant amount of forfeited contributions.

The Company's obligations under defined contribution plans are included in "other liabilities" of the statement of financial position.

#### (3) Long service payments

Certain employees of the Company are eligible for long service payments in the event of the termination of their employment according to the Hong Kong Employment Ordinance (the "Employment Ordinance"). The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

#### (4) Share-based compensation

FWD Group Holdings Limited ("FGHL"), an intermediate holding company, launched a share-based compensation plan, under which FGHL awards restricted shares units ("RSU") and/ or share options of FGHL to certain key employees of the Company as part of compensation for services provided in achieving shareholder value targets. This share-based compensation plan is known as the FWD Share Option and RSU Plan (the "Plan").

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.13 Employee benefits (continued)

#### (4) *Share-based compensation* (continued)

The Plan is equity-settled plan. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of RSU and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the RSU and/or share options awarded on respective grant date. Non-market vesting conditions are included in assumptions about the number of RSU and/or share options that are expected to be vested. At each period end, the Company revises its estimates of the number of RSU and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Company estimates the fair value of the awards using appraisal value method (Embedded Value plus a multiple of Value of New Business) for the RSU and Black-Scholes model for the share options.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

#### (5) *Termination benefits*

Termination benefits are payable and recognised at the earlier of: (a) when employment is terminated by the Company before the normal retirement date, or (b) when an employee accepts voluntary redundancy in exchange for these benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### 2.14 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. Provisions comprise of provisions in respect of regulatory matters, litigation, reorganisation and restructuring.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

### 2.15 Lease

#### *Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Assets subject to such leases are included in investment property. Rentals from such leases are credited to the statement of profit or loss on a straight-line basis over the period of the relevant lease.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.15 Lease (continued)

#### *Company as a lessee*

The Company leases various premises, car parks, equipment and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Company. Right-of-use assets and lease liabilities are presented as a separate line item in the statement of financial position. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in Note 6 and 7 respectively.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Company. Furthermore, a maturity analysis of the Company's lease liabilities is disclosed in Note 28.

Right-of-use assets are measured at cost comprising the following:

- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US\$5,000.

### 2.16 Share capital

Ordinary shares, preference shares and convertible preference shares are classified in equity when there is no contractual obligation to transfer cash or other assets or to deliver a variable number of the Company's own equity instruments to the holders.

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends are recognised when they have been approved by shareholders.

## 2 MATERIAL ACCOUNTING POLICIES (continued)

### 2.17 Presentation of the statement of financial position

The Company's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Company's products. Accordingly, the Company presents the assets and liabilities in its statements of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Company regards its intangible assets, investment in subsidiaries, property, plant and equipment and right-of-use assets as non-current assets as these are held for the longer-term use of the Company.

### 2.18 Statement of cash flow

The statement of cash flow presents movements in cash and cash equivalents as shown in the statement of financial position.

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

### 2.19 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 Company.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Key judgements, estimates and assumptions are described below.

#### Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

##### *(a) Income taxes and uncertain tax position*

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax laws. Hong Kong tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develops, these taxation positions may change in the future.

Due to the implementation of Risk-Based Capital ("RBC") regime and the Insurance (amendment) Ordinance 2023 ("IO"), the Inland Revenue Ordinance ("IRO") has also been amended. As set out in the amended IRO, both the life insurance business (Class A and C) and the non-life long-term insurance business (Class D and I) of the Company are assessed using adjusted surplus. Under adjusted surplus basis, the surplus shall be the amount by which the life insurance fund and the non-life long-term insurance fund exceeds the estimated liability of the corporation on the aforesaid funds at the end of the period the actuarial report submitted to the Insurance Authority under section 18 of the IO is made.

Same as prior year, the Company, with reference to the amended IRO, believes that it would be adequate to include the balance of fair value reserve and cash flow hedge reserve of life insurance fund and the movement of the fair value reserve and cash flow hedge non-life long-term insurance fund in the current tax calculation on the grounds that fair value reserve and cash flow hedge reserves form part of the surplus in the Actuarial Report and included in current tax calculation.

In this regards, the deferred tax of US\$230,428,000 related to fair value reserve and cash flow hedge reserves was reclassified to current tax payable during the year. If the Inland Revenue Department ("IRD") disagrees with this treatment, the reclassification should be reversed and no additional tax expense should be incurred.

##### *(b) Valuation of deferred tax assets in respect of unused tax losses*

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

Further details are discussed in Note 8 to the financial statements.

##### *(c) Product classification*

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Company exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Company to pay significant additional benefits to its customers. In the event the Company has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the financial statements as insurance and investment contract liabilities. The accounting policy on product classification is described in Note 2.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Judgement (continued)

(d) *Determining the lease term of contracts with renewal options*

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

(e) *Contingent liabilities*

The Company applies judgement in evaluating whether contingent liability shall be disclosed or provision shall be recognised. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Further details are discussed in Note 25 to the financial statements.

(f) *Contingent assets*

The Company applies judgement in evaluating whether contingent assets shall be disclosed. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. Contingent asset is disclosed, where economic benefits is probable. Further details are discussed in Note 25 to the financial statements.

#### Estimates and assumptions

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.

#### 3.1 Level of aggregation and recognition of group of insurance contracts

For contracts issued to which the Company does not apply the premium allocation approach, the judgements exercised in determining whether contracts are onerous on initial recognition for those what have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if the occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in Note 2.2.



### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### 3.2 Insurance contracts not measured under the premium allocation approach

##### *(1) Measurement*

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of insurance contracts (including investment contracts with DPF) represents the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustment for non-financial risk are based on actual experience by each geographical market and policy form. The Company exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Company will recognise as it provides services under the insurance contracts in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the contracts in the group, determined by considering for each contract the quantity of the services provided under a contract and its expected coverage period. The Company exercises judgements in determining the quantity of the services provided under a contract which will affect the amounts recognised in the financial statements as insurance revenue from insurance contracts issued.

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies in respect of insurance contracts are provided in Note 2.2.

##### *(2) Determination of coverage unit*

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

The quantity of services provided by insurance contracts could include insurance coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Company applies judgement in these determinations.

Expected coverage period is derived based on the likelihood of an insured event occurring to the extent they affect the expected duration of contracts in the group. Determining the expected coverage period is judgemental since it involves making an expectation of when claims and lapse will occur.

### **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** (continued)

#### **3.3 Fair value of financial assets**

The Company determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial assets generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Changes in the fair value of financial assets held by the Company's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the statement of profit or loss.

Changes in the fair value of financial assets held to back the Company's unit-linked contracts result in a corresponding change in insurance and investment contract liabilities. Both of the foregoing changes are also reflected in the statement of profit or loss.

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in Notes 16 and 28 respectively.

#### **3.4 Impairment of other intangible assets**

For the purposes of impairment testing, other intangible assets are grouped into cash-generating units or groups of cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### 3.5 Share based compensation

FGHL launched a share-based compensation plan, under which FGHL offers RSU and/or share options of FGHL to certain key employees of the Company.

##### (1) RSUs

The Company utilises an appraisal value method (Embedded Value (“EV”) plus a multiple of Value of New Business (“VNB”)) to estimate the fair value of the RSUs, taking into account the terms and conditions upon which the awards were granted. The Company determines appraisal value on the following basis:

- For life insurance businesses, the appraisal value equals EV plus a multiplier of VNB for the calendar year at the end of each performance period. The multiplier was agreed with the shareholders for the purpose of assessing the performance conditions.
- For non-life businesses, the appraisal value is calculated as the net asset value plus a multiplier of the net profits for the calendar year at the end of each performance period.
- For non-operating entities, the appraisal value is equal to the net asset value for the calendar year at the end of each performance period.

In assessing the achievement of performance conditions, the Company takes into account all monthly cash flow items during the performance period and the appraisal value determined in accordance with the guidelines approved by the Compensation Committee.

The judgements exercised in the determination of appraisal value and the assessment of achievement of performance conditions affect the amounts recognised in the financial statements as share-based payment expense and share option reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.13 and 24 respectively.

##### (2) Share Options

The Company estimates the fair value of share options using the Black-Scholes model taking into account the terms and conditions upon which the awards were granted. The Company determines the fair value of share options by using the following input:

- Dividend yield
- Expected share price volatility
- Risk-free interest rate
- Expected life of the share options
- Appraisal value per share, using the same valuation methodology as is used in the RSU plan

The assessment of achievement of performance conditions of share options is the same as described above for RSUs.

The judgements exercised in the determination of share-option fair value and the assessment of achievement of performance condition affect the amounts recognised in the financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.13 and 24 respectively.

#### 3.6 Income taxes

Significant management judgement on the future tax treatment of certain transactions is required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

#### 3.7 Valuation of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies. Further details are contained in Note 8 to the financial statements.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### 3.8 Impairment of financial assets

The Company recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at FVOCI. The measurement of ECL uses probability weighted forward-looking models with significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the methodology for incorporating forward-looking information into the measurement of ECL.

When determining whether the credit risk (i.e. risk of default) on a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, credit assessment performed by internal and external experts and forward-looking information. The Company determines a significant increase in credit risk based on various criteria for different categories of assets, including rating notch downgrade, days past due, expert judgement and other qualitative factors.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade", with credit rating equivalent to be Baa3 or above. As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, unless there are other indications that there is no significant increase in credit risk.

Details are further disclosed in Note 28.

#### 3.9 Investment in subsidiaries

The Company has elected to retain the fair value measurement applied by its subsidiary to investment properties when applying the equity method. Investment properties are stated at fair value based on valuations performed by management. In determining the fair value, management considers the estimated rental value of the property and applies the appropriate valuation methods, i.e., the capitalisation method and discounted cash flow method. A valuation report with analysis of changes in fair value measurement is prepared at the end of each reporting date.

Further details of the investment in subsidiary are provided in Note 12 and 16 respectively.

#### 4 INSURANCE REVENUE AND OTHER REVENUE

US\$'000	Year ended 31 December	
	2023	2022
		(Restated)
<b>Contracts not measured under the PAA</b>		
Amounts relating to changes in liabilities for remaining coverage:		
CSM recognised for services provided	211,320	173,575
Change in risk adjustment for non-financial risk for risk expired	12,447	15,840
Expected incurred claims and other insurance service expenses	239,443	214,846
Experience adjustments for premium receipts related to current or past service	97	(91)
Recovery of insurance acquisition cash flows	394,680	324,468
	<u>857,987</u>	<u>728,638</u>
<b>Contracts measured under the PAA</b>	24,515	12,252
<b>Total insurance revenue</b>	<b><u>882,502</u></b>	<b><u>740,890</u></b>
<b>Represented by:</b>		
Contracts measured under the fair value approach	412,776	425,489
Other contracts	469,726	315,401
	<u>882,502</u>	<u>740,890</u>

#### Other revenue

Other revenue largely consists of management fee income.

## 5 NET INVESTMENT RESULT

Analysis of investment result in profit or loss and other comprehensive income:

US\$'000	Notes	Year ended 31 December	
		2023	2022 (Restated)
<b>Investment return:</b>			
Interest revenue	B	432,186	395,925
Other investment losses	C	(111,659)	(590,806)
Net impairment loss on financial assets		(2,754)	(7,928)
Amounts recognised in OCI		593,203	(2,443,171)
<b>Total investment return</b>		<b>910,976</b>	<b>(2,645,980)</b>
<b>Net finance (expenses)/income from insurance contracts:</b>			
Changes in fair value of underlying items of direct participating contracts		(920,323)	2,447,421
Interest accreted		4,552	(1,365)
Effect of changes in interest rates and other financial assumptions		55,174	(158,150)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		19,378	249
Net foreign exchange gain		5,315	12,121
<b>Total net finance (expenses)/income from insurance contracts</b>	A	<b>(835,904)</b>	<b>2,300,276</b>
<b>Net finance (expenses)/income from reinsurance contracts held:</b>			
Interest accreted		(2,905)	3,690
Other		2,359	15,854
<b>Total net finance (expenses)/income from reinsurance contracts held</b>	A	<b>(546)</b>	<b>19,544</b>
Movement in investment contract liabilities		3,727	1,045
<b>Net investment result</b>		<b>78,253</b>	<b>(325,115)</b>
Represented by:			
Amounts recognised in profit or loss		(122,233)	13,526
Amounts recognised in OCI		200,486	(338,641)
		<b>78,253</b>	<b>(325,115)</b>

**5 NET INVESTMENT RESULT** (continued)

**A. Insurance finance income and expenses**

US\$'000	Year ended 31 December	
	2023	2022
		(Restated)
Net finance (expenses)/income from insurance contracts		
Recognised in profit or loss	(448,136)	227,379
Recognised in OCI	(387,768)	2,072,897
	<b>(835,904)</b>	<b>2,300,276</b>
Net finance (expenses)/income from reinsurance contracts held		
Recognised in profit or loss	4,403	(12,089)
Recognised in OCI	(4,949)	31,633
	<b>(546)</b>	<b>19,544</b>

**B. Interest revenue**

Interest revenue calculated using the effective interest method are presented as below.

US\$'000	Year ended 31 December	
	2023	2022
		(Restated)
Debt securities measured at FVOCI	433,574	392,913
Financial investments measured at amortised cost	(1,388)	3,012
	<b>432,186</b>	<b>395,925</b>

**C. Other investment losses**

US\$'000	Year ended 31 December	
	2023	2022
		(Restated)
Financial instruments measured at FVTPL:		
Net fair value gains/(losses) on		
Debt securities	4,278	(51,997)
Derivatives	(29,931)	54,349
Equity securities	13,260	(70,237)
Interests in investment funds	(62,718)	(599,446)
Dividend income	176,202	137,001
Interest income	44,430	28,825
Net foreign exchange gains/(losses)	249	(21,046)
	<b>145,770</b>	<b>(522,551)</b>
Net losses on derecognition of debt investments at FVOCI	(262,807)	(61,095)
Net foreign exchange gains/(losses) on debt investments not measured at FVTPL	4,721	(10,278)
Gains arising from the derecognition of financial assets measured at amortised cost	—	2,778
Other net realised gains	657	340
<b>Total</b>	<b>(111,659)</b>	<b>(590,806)</b>

## 6 EXPENSES

US\$'000	Year ended 31 December	
	2023	2022
		(Restated)
Claims and benefits	202,634	175,185
(Reversal of loss)/loss on onerous insurance contracts	(5,506)	82,785
Commission and other acquisition expenses	540,349	271,734
Employee benefits expenses	127,476	128,936
Depreciation	26,833	25,491
Amortisation	3	3
Marketing and advertising	14,811	9,658
Professional service fees	24,380	19,251
Information technology expenses	26,057	17,204
Investment management expenses	27,779	26,196
Others <sup>1</sup>	65,256	68,085
	<u>1,050,072</u>	<u>824,528</u>
Amounts attributed to insurance acquisition cash flows	(697,929)	(372,414)
Amortisation of insurance acquisition cash flows	395,594	324,976
<b>Total</b>	<b><u>747,737</u></b>	<b><u>777,090</u></b>
<b>Represented by:</b>		
Insurance service expenses	641,911	648,987
General and other expenses	105,826	128,103
	<b><u>747,737</u></b>	<b><u>777,090</u></b>

Note:

<sup>1</sup> Includes travel and entertainment, bank charges, office related expenses and other general operating expenses.

General and other expenses includes auditor's remunerations of:

US\$'000	Year ended 31 December	
	2023	2022
Audit services	<u>2,208</u>	<u>1,188</u>

Depreciation consists of:

US\$'000	Year ended 31 December	
	2023	2022
Leasehold improvements, furniture and fixtures, computer equipment, software and others	7,088	7,106
Right-of-use assets:		
Premises and car park	17,318	15,894
Equipment and Others	2,427	2,491
<b>Total</b>	<b><u>26,833</u></b>	<b><u>25,491</u></b>



**6 EXPENSES** (continued)

Employee benefits consist of:

US\$'000	Year ended 31 December	
	2023	2022
Wages and salaries	122,067	124,269
Pension scheme contribution	5,409	4,667
<b>Total</b>	<b>127,476</b>	<b>128,936</b>

During the year, the directors of the Company received the following remuneration for their services rendered to the Company:

US\$'000	Year ended 31 December	
	2023	2022
Fees	249	204
Other emoluments:		
Salaries, allowances and benefits in kind	868	848
Performance related bonuses	1,745	1,834
Equity-settled share option expense	99	1,015
Pension scheme contribution	47	46
	<u>2,759</u>	<u>3,743</u>
	<u>3,008</u>	<u>3,947</u>
Aggregate amount of the emoluments of the three highest paid directors	2,784	2,843

**7 BORROWINGS AND OTHER FINANCE COSTS**

Borrowings and other finance costs may be analysed as follows:

US\$'000	Year ended 31 December	
	2023	2022
Interest expenses on lease liabilities	2,244	1,891
Others	12,791	6,914
<b>Total</b>	<b>15,035</b>	<b>8,805</b>

## 8 INCOME TAX

### (1) Income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

US\$'000	Year ended 31 December	
	2023	2022
		(Restated)
Current income tax	14,147	(343,946)
Deferred income tax on temporary differences	48,964	337,413
<b>Total</b>	<b>63,111</b>	<b>(6,533)</b>

During the year, US\$230,428,000 of deferred tax asset in respect of fair value and cash flow hedge reserves are reclassified from deferred tax assets to current tax repayable as to align with the presentation in the Actuarial Report.

A reconciliation of the tax expense/credit applicable to profit/loss before tax at the statutory rate to the tax position at the effective tax rate and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

US\$'000	Year ended 31 December			
	2023	%	2022	%
			(Restated)	
<b>Income tax reconciliation</b>				
<b>Profit/(loss) before tax</b>	33,862		(32,407)	
Tax benefit/(expense) calculated at domestic tax rates applicable to profits/(losses)	(5,588)	(16.5)	5,347	(16.5)
Income not subject to tax	—	—	3,399	(10.5)
Expense not deductible for tax purposes	(9,228)	(27.3)	(693)	2.1
Release of non-distributable surplus under HKRBC	—	—	14,717	(45.4)
Adjustments to tax expenses related to prior years	11,303	33.4	—	—
Deferred tax differences arising from different accounting basis	61,516	181.7	(30,146)	93.0
Others	5,108	15.1	843	(2.6)
<b>Total income tax benefit/(expense)</b>	<b>63,111</b>	<b>186.4</b>	<b>(6,533)</b>	<b>20.1</b>

**8 INCOME TAX** (continued)

(2) *Deferred tax*

The movement in net deferred tax assets/(liabilities) in the year may be analysed as set out below:

US\$'000	Net deferred tax asset/ (liability) at 1 January	Reclassification to current tax repayable	Credited/ (charged) to statement of profit or loss	Credited/ (charged) to other comprehensive income	Net deferred tax asset/ (liability) at 31 December
<b>31 December 2023</b>					
Financial instruments	27,113	63,149	(1,070)	(75,196)	13,996
Insurance contracts and reinsurance contracts held	(92,896)	—	11,355	64,796	(16,745)
Others	14,586	—	38,679	—	53,265
<b>Total</b>	<b>(51,197)</b>	<b>63,149</b>	<b>48,964</b>	<b>(10,400)</b>	<b>50,516</b>

US\$'000	Net deferred tax asset/ (liability) at 1 January	Reclassification to current tax repayable	Credited/ (charged) to statement of profit or loss	Credited/ (charged) to other comprehensive income	Net deferred tax asset/ (liability) at 31 December
<b>31 December 2022, Restated</b>					
Financial instruments	(60,611)	(293,576)	—	381,300	27,113
Insurance contracts and reinsurance contracts held	(98,024)	—	352,375	(347,247)	(92,896)
Others	6,746	22,802	(14,962)	—	14,586
<b>Total</b>	<b>(151,889)</b>	<b>(270,774)</b>	<b>337,413</b>	<b>34,053</b>	<b>(51,197)</b>

**9 PROPERTY, PLANT AND EQUIPMENT**

US\$'000	Property, plant and equipment			Total
	Leasehold improvements	Furniture and fixtures and others	Computer equipment and software	
<b>Cost</b>				
<b>At 1 January 2022</b>	23,376	6,485	35,334	<b>65,195</b>
Additions	1,341	21	6,745	8,107
Disposals	(5,159)	(590)	(609)	(6,358)
<b>At 31 December 2022</b>	19,558	5,916	41,470	<b>66,944</b>
Additions	3,391	111	3,774	7,276
Disposals	—	—	(640)	(640)
<b>At 31 December 2023</b>	22,949	6,027	44,604	<b>73,580</b>
<b>Accumulated depreciation</b>				
<b>At 1 January 2022</b>	(20,749)	(5,393)	(25,467)	<b>(51,609)</b>
Disposals	5,149	555	507	6,211
Depreciation charge for the year	(1,162)	(367)	(5,577)	(7,106)
<b>At 31 December 2022</b>	(16,762)	(5,205)	(30,537)	<b>(52,504)</b>
Disposals	—	—	640	640
Depreciation charge for the year	(1,359)	(394)	(5,335)	(7,088)
<b>At 31 December 2023</b>	(18,121)	(5,599)	(35,232)	<b>(58,952)</b>
<b>Net book value</b>				
<b>At 31 December 2022</b>	2,796	711	10,933	<b>14,440</b>
<b>At 31 December 2023</b>	4,828	428	9,372	<b>14,628</b>

**10 RIGHT-OF-USE ASSETS**

US\$'000	Right-of-use assets		Total
	Office premises	Equipment and others	
<b>Cost</b>			
<b>At 1 January 2022</b>	73,096	7,277	<b>80,373</b>
Additions	17,261	—	17,261
Disposals	(8,241)	—	(8,241)
<b>At 31 December 2022</b>	<b>82,116</b>	<b>7,277</b>	<b>89,393</b>
Remeasurement of lease liabilities	(2,799)	—	(2,799)
Additions	25,770	6,673	32,443
Disposals	(18,320)	(7,277)	(25,597)
<b>At 31 December 2023</b>	<b>86,767</b>	<b>6,673</b>	<b>93,440</b>
<b>Accumulated depreciation</b>			
<b>At 1 January 2022</b>	(21,018)	(3,471)	<b>(24,489)</b>
Disposals	7,724	—	7,724
Depreciation charge for the year	(15,894)	(2,491)	(18,385)
Foreign exchange movements	—	(9)	(9)
<b>At 31 December 2022</b>	<b>(29,188)</b>	<b>(5,971)</b>	<b>(35,159)</b>
Disposals	17,835	7,277	25,112
Depreciation charge for the year	(17,318)	(2,427)	(19,745)
<b>At 31 December 2023</b>	<b>(28,671)</b>	<b>(1,121)</b>	<b>(29,792)</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	52,928	1,306	<b>54,234</b>
<b>At 31 December 2023</b>	58,096	5,552	<b>63,648</b>

The Company obtains right to use various office premises for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of terms and conditions including lease payments and lease terms ranging from three to seven years.

**11 INTANGIBLE ASSETS**

US\$'000

<b>Cost</b>	
<b>At 1 January 2022, 31 December 2022, 31 December 2023</b>	<b>1,094</b>
<b>Accumulated amortisation and impairment</b>	
<b>At 1 January 2022</b>	<b>(113)</b>
Amortisation charge for the year	<u>(3)</u>
<b>At 31 December 2022</b>	<b>(116)</b>
Amortisation charge for the year	<u>(3)</u>
<b>At 31 December 2023</b>	<b><u>(119)</u></b>
<b>Net book value</b>	
<b>At 31 December 2022</b>	<b>978</b>
<b>At 31 December 2023</b>	<b>975</b>

## 12 INVESTMENTS IN SUBSIDIARIES

US\$'000	As at 31 December	
	2023	2022
Unlisted shares, at cost	1,040,638	971,702
Impairment <sup>1</sup>	(14,779)	(14,779)
	1,025,859	956,923
Unlisted shares, at fair value	246,305	246,305
<b>Total</b>	<b>1,272,164</b>	<b>1,203,228</b>

Note:

<sup>1</sup>An impairment provision of US\$14,779,000 (2022: US\$14,779,000) was recognised for the unlisted investment in subsidiaries because the subsidiary requires continuing financial support from the Company.

Particulars of the subsidiaries as at the end of the reporting period are as follows:

Name of entity	Place of incorporation	Principal activity	Nominal value of issued ordinary shares	Percentage of ownership interest			
				As at 31 December			
				2023		2022	
Direct %	Indirect %	Direct %	Indirect %				
FWD Financial Limited	Hong Kong	Provision of consultancy, digital commerce research and development and insurance agency services	HK\$115,322,561	100%	—%	100%	—%
Future Radiance Limited	Cayman Islands	Investment holding	3 ordinary shares of US\$1	100%	—%	100%	—%
Sky Accord Limited	Cayman Islands	Property investment and management	3 ordinary shares of US\$1	—%	100%	—%	100%
FWD Vietnam Life Insurance Company Limited	Vietnam	Underwriting of life insurance	VND 19,102,000,000,000 (2022: VND18,546,000,000,000)	100%	—%	100%	—%
FWD Properties Limited	Hong Kong	Investment holding	US\$232,000,000 + HK\$1	100%	—%	100%	—%
OGS (I) Limited	Cayman Islands	Investment holding	3 ordinary shares of US\$1	—%	100%	—%	100%
OGS (II) Limited	Cayman Islands	Investment holding	3 ordinary shares of US\$1	—%	100%	—%	100%
FWD Takaful Berhad	Malaysia	Underwriting of life insurance	RM\$100,000,000	49%	—%	49%	—%

### 13 INSURANCE AND REINSURANCE CONTRACT BALANCES

#### INSURANCE AND REINSURANCE CONTRACTS

##### Insurance contracts

US\$'000	As at 31 December	
	2023	2022
		(Restated)
<b>Insurance contract assets</b>		
Insurance contract balances	61,577	39,786
	<u>61,577</u>	<u>39,786</u>
<b>Insurance contract liabilities</b>		
Insurance contract balances	(13,856,243)	(12,837,719)
	<u>(13,856,243)</u>	<u>(12,837,719)</u>
<b>Total</b>	<u>(13,794,666)</u>	<u>(12,797,933)</u>

##### Reinsurance contracts held

US\$'000	As at 31 December	
	2023	2022
		(Restated)
Reinsurance contract assets	325,358	379,494
Reinsurance contract liabilities	(141,686)	(350,600)
<b>Total</b>	<u>183,672</u>	<u>28,894</u>

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be recovered/ (settled) more than 12 months after the reporting date.

US\$'000	As at 31 December	
	2023	2022
		(Restated)
Insurance contract assets	85,122	74,293
Insurance contract liabilities	(10,998,314)	(10,534,250)
Reinsurance contract assets	36,190	(383,038)
Reinsurance contract liabilities	(25,643)	449,253

At 31 December 2023 and 2022, the maximum exposure to credit risk from reinsurance contracts is US\$325,358,000 and US\$379,494,000. The credit risk arising from insurance contracts is not considered to be significant.



**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances**

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

(i) (a) Insurance contracts not measured under the premium allocation approach  
Analysis by remaining coverage and incurred claims

US\$'000	Note	Year ended 31 December			Total
		2023			
		Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component			
Opening assets		39,795	—	(9)	39,786
Opening liabilities		(12,532,006)	(129,620)	(174,946)	(12,836,572)
<b>Net opening balance</b>		<b>(12,492,211)</b>	<b>(129,620)</b>	<b>(174,955)</b>	<b>(12,796,786)</b>
<b>Changes in the statement of profit or loss and OCI</b>					
<b>Insurance revenue</b>	4				
Contracts under the fair value approach		412,198	—	—	412,198
Other contracts		445,789	—	—	445,789
		857,987	—	—	857,987
<b>Insurance service expenses</b>					
Incurred claims and other insurance service		—	13,275	(215,719)	(202,444)
Amortisation of insurance acquisition cash flows		(394,680)	—	—	(394,680)
Losses and reversals of losses on onerous contracts		—	5,506	—	5,506
Adjustments to liabilities for incurred claims		—	—	(16,469)	(16,469)
<b>Total insurance service expenses</b>		<b>(394,680)</b>	<b>18,781</b>	<b>(232,188)</b>	<b>(608,087)</b>
Investment components		1,400,448	—	(1,400,448)	—
<b>Insurance service result</b>		<b>1,863,755</b>	<b>18,781</b>	<b>(1,632,636)</b>	<b>249,900</b>
Net finance expenses from insurance contracts	5	(779,945)	(6,021)	(50,883)	(836,849)
<b>Total changes in the statement of profit or loss and OCI</b>		<b>1,083,810</b>	<b>12,760</b>	<b>(1,683,519)</b>	<b>(586,949)</b>
<b>Cash flows</b>					
Premium received		(2,561,058)	—	—	(2,561,058)
Claims and other insurance service expenses paid; including investment components		—	—	1,532,015	1,532,015
Insurance acquisition cash flows		629,093	—	—	629,093
<b>Total cash flows</b>		<b>(1,931,965)</b>	<b>—</b>	<b>1,532,015</b>	<b>(399,950)</b>
<b>Net closing balance</b>		<b>(13,340,366)</b>	<b>(116,860)</b>	<b>(326,459)</b>	<b>(13,783,685)</b>
Closing assets		61,594	—	(17)	61,577
Closing liabilities		(13,401,960)	(116,860)	(326,442)	(13,845,262)
<b>Net closing balance</b>		<b>(13,340,366)</b>	<b>(116,860)</b>	<b>(326,459)</b>	<b>(13,783,685)</b>

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

US\$'000 (Restated)	Note	Year ended 31 December			Total
		2022			
		Liabilities for remaining coverage	Liabilities for incurred claims		
		Excluding loss component	Loss component		
Opening assets		9,318	—	(204)	9,114
Opening liabilities		(14,362,656)	(55,534)	(162,229)	(14,580,419)
<b>Net opening balance</b>		<b>(14,353,338)</b>	<b>(55,534)</b>	<b>(162,433)</b>	<b>(14,571,305)</b>
<b>Changes in the statement of profit or loss and OCI</b>					
<b>Insurance revenue</b>	4				
Contracts under the fair value approach		425,407	—	—	425,407
Other contracts		303,231	—	—	303,231
		728,638	—	—	728,638
<b>Insurance service expenses</b>					
Incurred claims and other insurance service		—	9,859	(231,540)	(221,681)
Amortisation of insurance acquisition cash flows		(324,468)	—	—	(324,468)
Losses and reversals of losses on onerous contracts		—	(82,785)	—	(82,785)
Adjustments to liabilities for incurred claims		—	—	(8,488)	(8,488)
<b>Total insurance service expenses</b>		<b>(324,468)</b>	<b>(72,926)</b>	<b>(240,028)</b>	<b>(637,422)</b>
Investment components		1,114,216	—	(1,114,216)	—
<b>Insurance service result</b>		<b>1,518,386</b>	<b>(72,926)</b>	<b>(1,354,244)</b>	<b>91,216</b>
Net finance income/(expenses) from insurance contracts	5	2,300,321	(1,160)	1,092	2,300,253
<b>Total changes in the statement of profit or loss and OCI</b>		<b>3,818,707</b>	<b>(74,086)</b>	<b>(1,353,152)</b>	<b>2,391,469</b>
<b>Cash flows</b>					
Premium received		(2,252,193)	—	—	(2,252,193)
Claims and other insurance service expenses paid; including investment components		—	—	1,340,630	1,340,630
Insurance acquisition cash flows		294,613	—	—	294,613
<b>Total cash flows</b>		<b>(1,957,580)</b>	<b>—</b>	<b>1,340,630</b>	<b>(616,950)</b>
<b>Net closing balance</b>		<b>(12,492,211)</b>	<b>(129,620)</b>	<b>(174,955)</b>	<b>(12,796,786)</b>
Closing assets		39,795	—	(9)	39,786
Closing liabilities		(12,532,006)	(129,620)	(174,946)	(12,836,572)
<b>Net closing balance</b>		<b>(12,492,211)</b>	<b>(129,620)</b>	<b>(174,955)</b>	<b>(12,796,786)</b>

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by measurement component

US\$'000	Note	Year ended 31 December					Total
		2023					
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Subtotal	
Contracts under fair value transition approach	Other contracts						
Opening assets		52,024	—	—	(12,238)	(12,238)	39,786
Opening liabilities		(11,167,146)	(182,004)	(756,008)	(731,414)	(1,487,422)	(12,836,572)
<b>Net opening balance</b>		<b>(11,115,122)</b>	<b>(182,004)</b>	<b>(756,008)</b>	<b>(743,652)</b>	<b>(1,499,660)</b>	<b>(12,796,786)</b>
<b>Changes in the statement of profit or loss and OCI</b>							
<b>Changes that relate to current services</b>							
CSM recognised for services provided	4	—	—	108,926	102,394	211,320	211,320
Change in risk adjustment for non-financial risk for risk expired	4	—	12,447	—	—	—	12,447
Experience adjustments		37,096	—	—	—	—	37,096
<b>Changes that relate to future services</b>							
Contracts initially recognised in the year		311,001	(35,883)	—	(279,725)	(279,725)	(4,607)
Changes in estimates that adjust the CSM		(65,394)	(15,288)	(144,489)	225,171	80,682	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		9,564	549	—	—	—	10,113
<b>Changes that relate to past services</b>							
Adjustments to liabilities for incurred claims		(16,469)	—	—	—	—	(16,469)
<b>Insurance service result</b>		<b>275,798</b>	<b>(38,175)</b>	<b>(35,563)</b>	<b>47,840</b>	<b>12,277</b>	<b>249,900</b>
Net finance (expenses)/income from insurance contracts	5	(800,434)	277	(3,875)	(32,817)	(36,692)	(836,849)
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(524,636)</b>	<b>(37,898)</b>	<b>(39,438)</b>	<b>15,023</b>	<b>(24,415)</b>	<b>(586,949)</b>
<b>Cash flows</b>							
Premium received		(2,561,058)	—	—	—	—	(2,561,058)
Claims and other insurance service expenses paid; including investment components		1,532,015	—	—	—	—	1,532,015
Insurance acquisition cash flows		629,093	—	—	—	—	629,093
<b>Total cash flows</b>		<b>(399,950)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(399,950)</b>
<b>Net closing balance</b>		<b>(12,039,708)</b>	<b>(219,902)</b>	<b>(795,446)</b>	<b>(728,629)</b>	<b>(1,524,075)</b>	<b>(13,783,685)</b>
Closing assets		93,030	—	—	(31,453)	(31,453)	61,577
Closing liabilities		(12,132,738)	(219,902)	(795,446)	(697,176)	(1,492,622)	(13,845,262)
<b>Net closing balance</b>		<b>(12,039,708)</b>	<b>(219,902)</b>	<b>(795,446)</b>	<b>(728,629)</b>	<b>(1,524,075)</b>	<b>(13,783,685)</b>

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(i) (a) Insurance contracts not measured under the premium allocation approach (continued)

Analysis by measurement component (continued)

US\$'000 (Restated)	Note	Year ended 31 December					Total
		2022					
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Subtotal	
Contracts under fair value transition approach	Other contracts						
Opening assets		49,106	(5,128)	(33,206)	(1,658)	(34,864)	9,114
Opening liabilities		(13,040,997)	(198,273)	(1,071,351)	(269,798)	(1,341,149)	(14,580,419)
<b>Net opening balance</b>		<b>(12,991,891)</b>	<b>(203,401)</b>	<b>(1,104,557)</b>	<b>(271,456)</b>	<b>(1,376,013)</b>	<b>(14,571,305)</b>
<b>Changes in the statement of profit or loss and OCI</b>							
<b>Changes that relate to current services</b>							
CSM recognised for services provided	4	—	—	100,763	72,812	173,575	173,575
Change in risk adjustment for non-financial risk for risk expired	4	—	15,840	—	—	—	15,840
Experience adjustments		(6,926)	—	—	—	—	(6,926)
<b>Changes that relate to future services</b>							
Contracts initially recognised in the year		276,160	(30,017)	—	(257,389)	(257,389)	(11,246)
Changes in estimates that adjust the CSM		(1,101)	33,915	249,299	(282,113)	(32,814)	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(71,807)	268	—	—	—	(71,539)
<b>Changes that relate to past services</b>							
Adjustments to liabilities for incurred claims		(9,866)	1,378	—	—	—	(8,488)
<b>Insurance service result</b>		<b>186,460</b>	<b>21,384</b>	<b>350,062</b>	<b>(466,690)</b>	<b>(116,628)</b>	<b>91,216</b>
Net finance (expenses)/income from insurance contracts	5	2,307,259	13	(1,513)	(5,506)	(7,019)	2,300,253
<b>Total changes in the statement of profit or loss and OCI</b>		<b>2,493,719</b>	<b>21,397</b>	<b>348,549</b>	<b>(472,196)</b>	<b>(123,647)</b>	<b>2,391,469</b>
<b>Cash flows</b>							
Premium received		(2,252,193)	—	—	—	—	(2,252,193)
Claims and other insurance service expenses paid; including investment components		1,340,630	—	—	—	—	1,340,630
Insurance acquisition cash flows		294,613	—	—	—	—	294,613
<b>Total cash flows</b>		<b>(616,950)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(616,950)</b>
<b>Net closing balance</b>		<b>(11,115,122)</b>	<b>(182,004)</b>	<b>(756,008)</b>	<b>(743,652)</b>	<b>(1,499,660)</b>	<b>(12,796,786)</b>
Closing assets		52,024	—	—	(12,238)	(12,238)	39,786
Closing liabilities		(11,167,146)	(182,004)	(756,008)	(731,414)	(1,487,422)	(12,836,572)
<b>Net closing balance</b>		<b>(11,115,122)</b>	<b>(182,004)</b>	<b>(756,008)</b>	<b>(743,652)</b>	<b>(1,499,660)</b>	<b>(12,796,786)</b>

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(i) (b) Insurance contracts measured under the premium allocation approach  
Analysis by remaining coverage and incurred claims

US\$'000	Note	Year ended 31 December				Total
		2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	—	—	—
Opening liabilities		2,286	—	(3,591)	158	(1,147)
<b>Net opening balance</b>		2,286	—	(3,591)	158	(1,147)
<b>Changes in the statement of profit or loss and OCI</b>						
<b>Insurance revenue</b>	4					
Contracts under the fair value approach		578	—	—	—	578
Other contracts		23,937	—	—	—	23,937
		24,515	—	—	—	24,515
<b>Insurance service expenses</b>						
Incurred claims and other insurance service expenses		—	—	(32,878)	—	(32,878)
Amortisation of insurance acquisition cash flows		(914)	—	—	—	(914)
Adjustments to liabilities for incurred claims		—	—	(32)	—	(32)
Total insurance service expenses		(914)	—	(32,910)	—	(33,824)
<b>Insurance service result</b>		23,601	—	(32,910)	—	(9,309)
Net finance income/(expenses) from insurance contracts	5	3,540	—	(2,437)	(158)	945
<b>Total changes in the statement of profit or loss and OCI</b>		27,141	—	(35,347)	(158)	(8,364)
<b>Cash flows</b>						
Premium received		(41,701)	—	—	—	(41,701)
Claims and other insurance service expenses paid; including investment components		—	—	38,878	—	38,878
Insurance acquisition cash flows		1,353	—	—	—	1,353
<b>Total cash flows</b>		(40,348)	—	38,878	—	(1,470)
<b>Net closing balance</b>		(10,921)	—	(60)	—	(10,981)
Closing assets		—	—	—	—	—
Closing liabilities		(10,921)	—	(60)	—	(10,981)
<b>Net closing balance</b>		(10,921)	—	(60)	—	(10,981)

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(i) (b) Insurance contracts measured under the premium allocation approach (continued)

Analysis by remaining coverage and incurred claims (continued)

US\$'000 (Restated)	Note	Year ended 31 December				Total
		2022				
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	—	—	—
Opening liabilities		835	—	(2,948)	—	(2,113)
<b>Net opening balance</b>		835	—	(2,948)	—	(2,113)
<b>Changes in the statement of profit or loss and OCI</b>						
<b>Insurance revenue</b>	4					
Contracts under the fair value approach		82	—	—	—	82
Other contracts		12,170	—	—	—	12,170
		12,252	—	—	—	12,252
<b>Insurance service expenses</b>						
Incurred claims and other insurance service expenses		—	—	(13,615)	—	(13,615)
Amortisation of insurance acquisition cash flows		(508)	—	—	—	(508)
Adjustments to liabilities for incurred claims		—	—	2,400	158	2,558
Total insurance service expenses		(508)	—	(11,215)	158	(11,565)
<b>Insurance service result</b>		11,744	—	(11,215)	158	687
Net finance income from insurance contracts	5	14	—	9	—	23
<b>Total changes in the statement of profit or loss and OCI</b>		11,758	—	(11,206)	158	710
<b>Cash flows</b>						
Premium received		(10,799)	—	—	—	(10,799)
Claims and other insurance service expenses paid; including investment components		—	—	10,563	—	10,563
Insurance acquisition cash flows		492	—	—	—	492
<b>Total cash flows</b>		(10,307)	—	10,563	—	256
<b>Net closing balance</b>		2,286	—	(3,591)	158	(1,147)
Closing assets		—	—	—	—	—
Closing liabilities		2,286	—	(3,591)	158	(1,147)
<b>Net closing balance</b>		2,286	—	(3,591)	158	(1,147)

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(ii)(a) Reinsurance contracts held not measured under the premium allocation approach  
Analysis by remaining coverage and incurred claims

US\$'000	Note	Year ended 31 December			Total
		2023		Assets for incurred claims	
		Assets for remaining coverage	Excluding loss-recovery component		
Opening assets		304,918	3,034	71,542	379,494
Opening liabilities		(417,276)	439	66,237	(350,600)
<b>Net opening balance</b>		<b>(112,358)</b>	<b>3,473</b>	<b>137,779</b>	<b>28,894</b>
<b>Changes in the statement of profit or loss and OCI</b>					
<i>Allocation of reinsurance premium paid</i>		(54,096)	—	—	(54,096)
<i>Amounts recoverable from reinsurers</i>					
Recoveries of incurred claims and other insurance service expenses		—	(785)	45,570	44,785
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	(746)	—	(746)
Adjustments to assets for incurred claims		—	—	3,921	3,921
		—	(1,531)	49,491	47,960
Investment components and premium refunds		(177,171)	—	177,171	—
<b>Net (expenses)/income from reinsurance contracts</b>		<b>(231,267)</b>	<b>(1,531)</b>	<b>226,662</b>	<b>(6,136)</b>
Effect of changes in non-performance risk of reinsurers		(214)	—	—	(214)
Net finance (expenses)/income from reinsurance		(8,921)	143	8,446	(332)
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(240,402)</b>	<b>(1,388)</b>	<b>235,108</b>	<b>(6,682)</b>
<b>Cash flows</b>					
Premium paid		353,925	—	—	353,925
Amounts received		—	—	(192,465)	(192,465)
<b>Total cash flows</b>		<b>353,925</b>	<b>—</b>	<b>(192,465)</b>	<b>161,460</b>
<b>Net closing balance</b>		<b>1,165</b>	<b>2,085</b>	<b>180,422</b>	<b>183,672</b>
Closing assets		156,299	1,859	167,200	325,358
Closing liabilities		(155,134)	226	13,222	(141,686)
<b>Net closing balance</b>		<b>1,165</b>	<b>2,085</b>	<b>180,422</b>	<b>183,672</b>

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)  
 Analysis by remaining coverage and incurred claims (continued)

US\$'000 (Restated)	Note	Year ended 31 December			Total
		2022			
		Assets for remaining coverage	Assets for incurred claims		
		Excluding loss-recovery component	Loss-recovery component		
Opening assets		542,790	1,759	87,438	631,987
Opening liabilities		(421,830)	9	49,023	(372,798)
<b>Net opening balance</b>		<b>120,960</b>	<b>1,768</b>	<b>136,461</b>	<b>259,189</b>
<b>Changes in the statement of profit or loss and OCI</b>					
<i>Allocation of reinsurance premium paid</i>		(115,470)	—	—	(115,470)
<i>Amounts recoverable from reinsurers</i>					
Recoveries of incurred claims and other insurance service expenses		—	(98)	65,403	65,305
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	1,779	—	1,779
Adjustments to assets for incurred claims		—	—	11,136	11,136
		—	1,681	76,539	78,220
Investment components and premium refunds		(247,083)	—	247,083	—
<b>Net (expenses)/income from reinsurance</b>		<b>(362,553)</b>	<b>1,681</b>	<b>323,622</b>	<b>(37,250)</b>
Net finance income/(expense) from reinsurance contracts		20,819	24	(1,299)	19,544
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(341,734)</b>	<b>1,705</b>	<b>322,323</b>	<b>(17,706)</b>
<b>Cash flows</b>					
Premium paid		108,416	—	—	108,416
Amounts received		—	—	(321,005)	(321,005)
<b>Total cash flows</b>		<b>108,416</b>	<b>—</b>	<b>(321,005)</b>	<b>(212,589)</b>
<b>Net closing balance</b>		<b>(112,358)</b>	<b>3,473</b>	<b>137,779</b>	<b>28,894</b>
Closing assets		304,918	3,034	71,542	379,494
Closing liabilities		(417,276)	439	66,237	(350,600)
<b>Net closing balance</b>		<b>(112,358)</b>	<b>3,473</b>	<b>137,779</b>	<b>28,894</b>



**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by measurement component

US\$'000	Year ended 31 December							Subtotal	Total
	2023								
	Note	CSM					Other contracts		
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach				
Opening assets		337,125	1,869	—	31,728	8,772	40,500	379,494	
Opening liabilities		(395,404)	4,364	—	40,607	(167)	40,440	(350,600)	
<b>Net opening balance</b>		(58,279)	6,233	—	72,335	8,605	80,940	28,894	
<b>Changes in the statement of profit or loss and OCI</b>									
<b>Changes that relate to current services</b>									
CSM recognised for services received		—	—	—	(9,702)	5,121	(4,581)	(4,581)	
Change in risk adjustment for non-financial risk for risk expired		—	818	—	—	—	—	818	
Experience adjustments		(5,548)	—	—	—	—	—	(5,548)	
<b>Changes that relate to future services</b>									
Contracts initially recognised in the year		(7,767)	635	—	—	7,173	7,173	41	
Changes in estimates that adjust the CSM		(3,177)	(76)	—	5,690	(2,437)	3,253	—	
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	1,236	(2,023)	(787)	(787)	
<b>Changes that relate to past services</b>									
Adjustments to assets for incurred claims		3,921	—	—	—	—	—	3,921	
<b>Net (expenses)/income from reinsurance contracts</b>		(12,571)	1,377	—	(2,776)	7,834	5,058	(6,136)	
Effect of changes in non-performance risk of reinsurers		(214)	—	—	—	—	—	(214)	
Net finance (expenses)/income from reinsurance contracts		(2,438)	(7)	—	1,553	560	2,113	(332)	
<b>Total changes in the statement of profit or loss and OCI</b>		(15,223)	1,370	—	(1,223)	8,394	7,171	(6,682)	
<b>Cash flows</b>									
Premium paid		353,925	—	—	—	—	—	353,925	
Amounts received		(192,465)	—	—	—	—	—	(192,465)	
<b>Total cash flows</b>		161,460	—	—	—	—	—	161,460	
<b>Net closing balance</b>		87,958	7,603	—	71,112	16,999	88,111	183,672	
Closing assets		301,818	829	—	16,659	6,052	22,711	325,358	
Closing liabilities		(213,860)	6,774	—	54,453	10,947	65,400	(141,686)	
<b>Net closing balance</b>		87,958	7,603	—	71,112	16,999	88,111	183,672	

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(ii) (a) Reinsurance contracts held not measured under the premium allocation approach (continued)

Analysis by measurement component (continued)

US\$'000 (Restated)	Note	Year ended 31 December						Subtotal	Total
		2022							
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Other contracts			
Contracts under modified retrospective transition approach	Contracts under fair value transition approach								
Opening assets		601,777	5,838	—	13,640	10,732	24,372	631,987	
Opening liabilities		(434,317)	10,978	—	53,908	(3,367)	50,541	(372,798)	
<b>Net opening balance</b>		<b>167,460</b>	<b>16,816</b>	<b>—</b>	<b>67,548</b>	<b>7,365</b>	<b>74,913</b>	<b>259,189</b>	
<b>Changes in the statement of profit or loss and OCI</b>									
<b>Changes that relate to current services</b>									
CSM recognised for services received		—	—	—	(41,715)	(28,531)	(70,246)	(70,246)	
Change in risk adjustment for non-financial risk for risk expired		—	(132)	—	—	—	—	(132)	
Experience adjustments		20,213	—	—	—	—	—	20,213	
<b>Changes that relate to future services</b>									
Contracts initially recognised in the year		(8,943)	523	—	—	8,420	8,420	—	
Changes in estimates that adjust the CSM		(54,500)	(10,736)	—	45,086	20,150	65,236	—	
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	697	1,082	1,779	1,779	
<b>Changes that relate to past services</b>									
Adjustments to assets for incurred claims		11,372	(236)	—	—	—	—	11,136	
<b>Net (expenses)/income from reinsurance contracts</b>		<b>(31,858)</b>	<b>(10,581)</b>	<b>—</b>	<b>4,068</b>	<b>1,121</b>	<b>5,189</b>	<b>(37,250)</b>	
Net finance income/(expense) from reinsurance contracts		18,708	(2)	—	719	119	838	19,544	
<b>Total changes in the statement of profit or loss and OCI</b>		<b>(13,150)</b>	<b>(10,583)</b>	<b>—</b>	<b>4,787</b>	<b>1,240</b>	<b>6,027</b>	<b>(17,706)</b>	
<b>Cash flows</b>									
Premium paid		108,416	—	—	—	—	—	108,416	
Amounts received		(321,005)	—	—	—	—	—	(321,005)	
<b>Total cash flows</b>		<b>(212,589)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(212,589)</b>	
<b>Net closing balance</b>		<b>(58,279)</b>	<b>6,233</b>	<b>—</b>	<b>72,335</b>	<b>8,605</b>	<b>80,940</b>	<b>28,894</b>	
Closing assets		337,125	1,869	—	31,728	8,772	40,500	379,494	
Closing liabilities		(395,404)	4,364	—	40,607	(167)	40,440	(350,600)	
<b>Net closing balance</b>		<b>(58,279)</b>	<b>6,233</b>	<b>—</b>	<b>72,335</b>	<b>8,605</b>	<b>80,940</b>	<b>28,894</b>	

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(a) Movement in insurance and reinsurance contract balances** (continued)

(ii) (b) Reinsurance contract held measured under the premium allocation approach  
Analysis by remaining coverage and incurred claims

US\$'000	Note	Year ended 31 December 2023				Total
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	—	—	—
Opening liabilities		—	—	—	—	—
<b>Net opening balance</b>		—	—	—	—	—
<b>Changes in the statement of profit or loss and OCI</b>						
<i>Allocation of reinsurance premium</i>		(126)	—	—	—	(126)
		(126)	—	—	—	(126)
<b>Amounts recoverable from reinsurers</b>						
Recoveries of incurred claims and other insurance service expenses		—	—	—	—	—
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	—	—	—	—
Adjustments to assets for incurred claims		—	—	—	—	—
Investment components and premium refunds		—	—	—	—	—
<b>Net expenses from reinsurance contracts</b>		(126)	—	—	—	(126)
Effect of changes in non-performance risk of reinsurers		—	—	—	—	—
Net finance expenses from reinsurance contracts		—	—	—	—	—
Foreign exchange movement		—	—	—	—	—
<b>Total changes in the statement of profit or loss and OCI</b>		(126)	—	—	—	(126)
<b>Cash flows</b>						
Premium paid		126	—	—	—	126
Amounts received		—	—	—	—	—
<b>Total cash flows</b>		126	—	—	—	126
<b>Transfer to other items in balance sheet</b>						
<b>Net closing balance</b>		—	—	—	—	—
Closing assets		—	—	—	—	—
Closing liabilities		—	—	—	—	—
<b>Net closing balance</b>		—	—	—	—	—

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

(a) **Movement in insurance and reinsurance contract balances** (continued)  
 (ii) (b) Reinsurance contract held measured under the premium allocation approach (continued)  
 Analysis by remaining coverage and incurred claims (continued)

US\$'000 (Restated)	Note	Year ended 31 December 2022				Total
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss-recovery component	Loss-recovery component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	—	—	—
Opening liabilities		—	—	—	—	—
<b>Net opening balance</b>		—	—	—	—	—
<b>Changes in the statement of profit or loss and OCI</b>						
<i>Allocation of reinsurance premium</i>		(300)	—	—	—	(300)
		(300)	—	—	—	(300)
<b>Amounts recoverable from reinsurers</b>						
Recoveries of incurred claims and other insurance service expenses		—	—	—	—	—
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	—	—	—	—
Adjustments to assets for incurred claims		—	—	—	—	—
		—	—	—	—	—
Investment components and premium refunds		—	—	—	—	—
<b>Net expenses from reinsurance contracts</b>		(300)	—	—	—	(300)
Effect of changes in non-performance risk of reinsurers		—	—	—	—	—
Net finance expenses from reinsurance contracts		—	—	—	—	—
Foreign exchange movement		—	—	—	—	—
<b>Total changes in the statement of profit or loss and OCI</b>		(300)	—	—	—	(300)
<b>Cash flows</b>						
Premium paid		300	—	—	—	300
Amounts received		—	—	—	—	—
<b>Total cash flows</b>		300	—	—	—	300
<b>Transfer to other items in balance sheet</b>						
		—	—	—	—	—
<b>Net closing balance</b>		—	—	—	—	—
Closing assets		—	—	—	—	—
Closing liabilities		—	—	—	—	—
<b>Net closing balance</b>		—	—	—	—	—

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(b) Effect of contracts initially recognised in the year**

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts held not measured under the PAA in the year.

(i) Insurance contracts

<b>US\$'000</b>	<b>Profitable contracts issued</b>	<b>Onerous contracts issued</b>	<b>Total</b>
<b>31 December 2023</b>			
Claims and other insurance service expenses payable	(2,309,222)	(244,599)	(2,553,821)
Insurance acquisition cash flows	(918,170)	(39,324)	(957,494)
Estimates of present value of cash outflows	(3,227,392)	(283,923)	(3,511,315)
Estimates of present value of cash inflows	3,542,487	279,829	3,822,316
Risk adjustment for non-financial risk	(35,370)	(513)	(35,883)
CSM	(279,725)	—	(279,725)
<b>Amount included in insurance contract assets/liabilities for the year</b>	<b>—</b>	<b>(4,607)</b>	<b>(4,607)</b>
<b>31 December 2022 (Restated)</b>			
Claims and other insurance service expenses payable	(2,059,724)	(71,545)	(2,131,269)
Insurance acquisition cash flows	(581,119)	(10,020)	(591,139)
Estimates of present value of cash outflows	(2,640,843)	(81,565)	(2,722,408)
Estimates of present value of cash inflows	2,927,974	70,594	2,998,568
Risk adjustment for non-financial risk	(29,742)	(275)	(30,017)
CSM	(257,389)	—	(257,389)
<b>Amount included in insurance contract assets/liabilities for the year</b>	<b>—</b>	<b>(11,246)</b>	<b>(11,246)</b>

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**INSURANCE AND REINSURANCE CONTRACTS** (continued)

**(b) Effect of contracts initially recognised in the year** (continued)

(ii) Reinsurance contracts held

<b>US\$'000</b>	<b>Contracts initiated</b>
<b>31 December 2023</b>	
Estimates of present value of cash inflows	47,832
Estimates of present value of cash outflows	(55,599)
Risk adjustment for non-financial risk	635
Contractual Service Margin (CSM)	7,173
<b>Amount included in reinsurance contract assets/liabilities for the year</b>	
	41
<b>31 December 2022 (Restated)</b>	
Estimates of present value of cash inflows	44,444
Estimates of present value of cash outflows	(53,387)
Risk adjustment for non-financial risk	523
Contractual Service Margin (CSM)	8,420
<b>Amount included in reinsurance contract assets/liabilities for the year</b>	
	—

**(c) Contractual service margin**

The following table sets out when the Company expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

<b>US\$'000</b>	<b>As at 31 December</b>					
	<b>2023</b>			<b>2022</b>		
	<b>Insurance contracts</b>	<b>Reinsurance contracts held</b>	<b>Total</b>	<b>Insurance contracts</b>	<b>Reinsurance contracts held</b>	<b>Total</b>
				(Restated)	(Restated)	(Restated)
Within one year	174,732	(10,557)	164,175	150,673	(29,797)	120,876
One to five years	500,609	(29,515)	471,094	437,600	(35,011)	402,589
Five to ten years	367,051	(20,160)	346,891	352,984	(12,310)	340,674
More than ten years	481,683	(27,879)	453,804	558,403	(3,822)	554,581
<b>Total</b>	<b>1,524,075</b>	<b>(88,111)</b>	<b>1,435,964</b>	<b>1,499,660</b>	<b>(80,940)</b>	<b>1,418,720</b>

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

The following table summarises the key variables on which insurance and investment contract cash flows depend.

Type of contract	Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows
Traditional participating life assurance with DPF	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the timing or amount of which is at the discretion of the insurer taking into account factors such as investment experience.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	Investment performance Expenses Mortality Lapses Morbidity Dividend / bonus rates
Traditional non-participating life	Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses
Accident and health non-participating	These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	Mortality Morbidity Lapses Expenses
Universal Life	Universal Life contracts combine savings with protection. Account balances are credited with interest at a rate set by the insurer.	Benefits are based on the account balance and death and living benefits.	Investment performance Crediting rates Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity
Unit-linked	Investment-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds.	Benefits are based on the value of the unitised funds and death and living benefits.	Investment performance Lapses Partial withdrawals Premium holidays Expenses Mortality Morbidity

**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**Methodology and assumptions** (continued)

The most significant items to which profit or loss for the period and shareholders' equity are sensitive are market, insurance and lapse risks which are shown in the table below. Indirect exposure indicates that there is a second order impact. For example, whilst the profit or loss for the period attributable to shareholders is not directly affected by investment income earned where the investment risk is borne by policyholders (for example, in respect of unit-linked contracts), there is a second order effect through the investment management fees which the Company earns by managing such investments. The distinction between direct and indirect exposure is not intended to indicate the relative sensitivity to each of these items. Where the direct exposure is shown as being "net neutral", this is because the exposure to market and credit risk is offset by a corresponding movement in insurance contract liabilities.

Type of contract	Market and credit risk			Significant insurance and lapse risks
	Direct exposure		Indirect exposure	
	Insurance contract liabilities	Risks associated with related investment portfolio		
Traditional participating life assurance with DPF	Net neutral except for the insurer's share of participating investment performance Guarantees	Net neutral except for the insurer's share of participating investment performance	Investment performance	Persistence Mortality Morbidity
Traditional non-participating life assurance	Investment performance Asset-liability mismatch risk	Asset-liability mismatch risk Credit Risk Investment performance	Not applicable	Mortality Morbidity Persistence
Accident and health non-participating	Loss ratio Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Not applicable	Morbidity Persistence
Universal Life	Guarantees Asset-liability mismatch risk	Investment performance Credit risk Asset-liability mismatch risk	Spread between earned rate and crediting rate to policyholders	Mortality Persistence Partial withdrawals Premium holidays
Unit-Linked	Net neutral	Net neutral	Performance-related investment management fees	Mortality Persistence Partial withdrawals Premium holidays

The Company is also exposed to foreign currency risk in respect of its operations, and to interest rate risk, credit risk and equity price risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance contract holders on non-participating business. Expense assumptions applied in the Company's actuarial valuation models assume a continuing level of business volumes.



**13 INSURANCE AND REINSURANCE CONTRACT BALANCES** (continued)

**Discount rates**

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Company generally determines the risk-free rates using either government bond yields or swap yield curve. The yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on changes to long-term expectations. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by adjusting the return of a reference portfolio to eliminate any factors that are not relevant to the insurance contracts.

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies.

As at 31 December 2023	1 year		5 years		10 years		15 years		20 years	
	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
Spot rates										
CNY	2.07 %	2.53 %	2.41 %	2.86 %	2.58 %	3.04 %	2.82 %	3.28 %	3.12 %	3.57 %
HKD	4.29 %	5.29 %	3.27 %	4.27 %	3.29 %	4.29 %	3.41 %	4.41 %	3.47 %	4.47 %
USD	4.70 %	5.66 %	3.79 %	4.75 %	3.83 %	4.78 %	3.94 %	4.89 %	4.27 %	5.22 %

As at 31 December 2022	1 year		5 years		10 years		15 years		20 years	
	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
Spot rates										
CNY	2.09 %	2.92 %	2.66 %	3.49 %	2.88 %	3.71 %	3.07 %	3.90 %	3.32 %	4.15 %
HKD	4.88 %	5.73 %	3.96 %	4.81 %	3.78 %	4.63 %	3.82 %	4.67 %	3.84 %	4.70 %
USD	4.64 %	5.67 %	3.94 %	4.97 %	3.81 %	4.84 %	3.91 %	4.94 %	4.18 %	5.21 %

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

## 14 FINANCIAL INVESTMENTS

The following tables analyse the Company's financial investments by type and nature. The Company manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments.

The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers, and does not directly affect the profit for the period before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Company. Although profit before tax for the period is not affected by Unit-linked Investments, the investment return from such financial investments is included in the Company's profit before tax for the period, as the Company has elected the fair value option for all Unit-linked Investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Company.

Policyholder and Shareholder Investments are further categorised as Participating Funds, other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios ("Other Participating Business with distinct Portfolios") and Other Policyholder and Shareholder investments. Other Participating Business with distinct Portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.

The reason for separately analysing financial investments held by Participating Funds and Other Participating Business with distinct Portfolios is that Participating Funds are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends and for Other Participating Business with distinct Portfolios it is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The Company's accounting policy is to record an insurance liability for the proportion of net assets of the Participating Funds that would be allocated to policyholders assuming all performance would be declared as a dividend based upon local regulations as at the date of the statement of financial position. As a result, the Company's net profit before tax for the period is impacted by the proportion of investment return that would be allocated to shareholders as described above. For Other Participating Business with distinct Portfolios, the Company either have discretion as to the timing or amount of additional benefits to the policyholders. The investment risk from Other Participating Business with distinct Portfolios directly impacts the Company's financial statements, but it is expected that a proportion of investment return may be allocated to policyholders through policyholder dividends.

Other Policyholder and Shareholder Investments are distinct from Unit-linked Investments, Participating Funds and Other Participating Business with distinct Portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders or it is not expected that the policyholder will receive at the discretion of the insurer additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The investment risk from investments in this category directly impacts the Company's financial statements. Although a proportion of investment return may be allocated to policyholders through policyholder dividends, the Company's accounting policy for insurance and certain investment contract liabilities utilises a net level premium methodology that includes best estimates as at the date of issue for non-guaranteed participation. To the extent investment return from these investments either is not allocated to participating contracts or varies from the best estimates, it will impact the Company's profit before tax.

## 14 FINANCIAL INVESTMENTS (continued)

### 14.1 Debt securities

In compiling the tables below, external international issue ratings have been used in accordance with the Company's credit risk assessment framework. Where external international issue ratings are not readily available, external local issue ratings are used by mapping to external international ratings based on an internal rating methodology. Where there is no external international or local issue rating, the external credit rating of the issuer is used and if not available, the debt security is classified as not-rated.

Standard and Poor's and Fitch	Moody's	Internal ratings reported as
AAA	Aaa	AAA
AA+ to AA-	Aa1 to Aa3	AA
A+ to A-	A1 to A3	A
BBB+ to BBB-	Baa1 to Baa3	BBB
BB+ to BB-	Ba1 to Ba3	BB (Below investment grade)
B+ to B-	B1 to B3	B (Below investment grade)
CCC and below	Caa1 and below	Not rated

Debt securities by type comprise the following:

US\$'000	Policyholder and shareholder investments						Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Unit-linked		
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
<b>31 December 2023</b>							
<b>Government bonds</b>							
United States	—	601,095	—	178,999	—	2,095	782,189
Other	—	649,917	—	52,286	—	2,301	704,504
<b>Sub-total</b>	<b>—</b>	<b>1,251,012</b>	<b>—</b>	<b>231,285</b>	<b>—</b>	<b>4,396</b>	<b>1,486,693</b>
<b>Government agency bonds<sup>1</sup></b>							
AAA	1,594	13,144	—	—	—	—	14,738
AA	—	418,486	—	58,427	—	5,527	482,440
A	—	126,922	—	21,826	—	—	148,748
BBB	—	16,764	—	798	—	879	18,441
Below investment grade	—	—	—	—	—	—	—
Not rated	—	—	—	—	—	—	—
<b>Sub-total</b>	<b>1,594</b>	<b>575,316</b>	<b>—</b>	<b>81,051</b>	<b>—</b>	<b>6,406</b>	<b>664,367</b>
<b>Corporate bonds</b>							
AAA	—	140,597	—	14,040	—	—	154,637
AA	—	384,322	—	128,652	—	3,045	516,019
A	53,056	2,166,156	45,401	1,050,067	—	7,049	3,321,729
BBB	197,188	1,631,287	128,426	1,380,197	761	4,905	3,342,764
Below investment grade	9,988	17,694	—	55,874	—	—	83,556
Not rated	46,686	46,028	47,999	7,584	106	—	148,403
<b>Sub-total</b>	<b>306,918</b>	<b>4,386,084</b>	<b>221,826</b>	<b>2,636,414</b>	<b>867</b>	<b>14,999</b>	<b>7,567,108</b>

**14 FINANCIAL INVESTMENTS** (continued)

**14.1 Debt securities** (continued)

US\$'000	Policyholder and shareholder investments						Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Unit-linked		
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
<b>31 December 2023</b>							
<b>Structured securities<sup>2</sup></b>							
AAA	3,289	60,253	235	4,924	—	—	68,701
AA	5,347	151,481	—	4,575	—	—	161,403
A	40,733	173,790	8,159	12,290	—	—	234,972
BBB	44,996	168,000	4,232	19,057	—	—	236,285
Below investment grade	2,976	—	2,977	—	—	—	5,953
Not rated	—	10,106	—	500	—	—	10,606
<b>Sub-total</b>	<b>97,341</b>	<b>563,630</b>	<b>15,603</b>	<b>41,346</b>	<b>—</b>	<b>—</b>	<b>717,920</b>
<b>Others</b>							
Certificate of deposits	—	17,166	—	1,409	—	—	18,575
Others	—	—	—	—	—	—	—
<b>Sub-total</b>	<b>—</b>	<b>17,166</b>	<b>—</b>	<b>1,409</b>	<b>—</b>	<b>—</b>	<b>18,575</b>
<b>Total<sup>3</sup></b>	<b>405,853</b>	<b>6,793,208</b>	<b>237,429</b>	<b>2,991,505</b>	<b>867</b>	<b>25,801</b>	<b>10,454,663</b>

Notes:

<sup>1</sup> Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

<sup>2</sup> Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

**14 FINANCIAL INVESTMENTS** (continued)

**14.1 Debt securities** (continued)

US\$'000	Policyholder and shareholder investments						Total
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Unit-linked		
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
<b>31 December 2022 (Restated)</b>							
<b>Government bonds</b>							
United States	—	654,547	—	228,005	—	2,150	884,702
Other	—	698,350	—	64,585	—	1,455	764,390
<b>Sub-total</b>	<b>—</b>	<b>1,352,897</b>	<b>—</b>	<b>292,590</b>	<b>—</b>	<b>3,605</b>	<b>1,649,092</b>
<b>Government agency bonds<sup>1</sup></b>							
AAA	—	—	—	—	—	—	—
AA	—	158,329	—	69,456	—	3,712	231,497
A	—	64,172	—	9,357	—	—	73,529
BBB	—	18,664	—	4,954	—	—	23,618
Below investment grade	—	—	—	—	—	—	—
Not rated	—	—	—	—	—	—	—
<b>Sub-total</b>	<b>—</b>	<b>241,165</b>	<b>—</b>	<b>83,767</b>	<b>—</b>	<b>3,712</b>	<b>328,644</b>
<b>Corporate bonds</b>							
AAA	—	104,844	—	19,721	—	—	124,565
AA	—	358,110	—	98,570	—	829	457,509
A	126,673	2,218,576	46,704	1,179,135	—	7,879	3,578,967
BBB	128,455	1,683,834	68,509	1,450,921	704	7,411	3,339,834
Below investment grade	9,315	16,337	—	41,767	—	—	67,419
Not rated	85,380	23,407	44,712	7,360	433	—	161,292
<b>Sub-total</b>	<b>349,823</b>	<b>4,405,108</b>	<b>159,925</b>	<b>2,797,474</b>	<b>1,137</b>	<b>16,119</b>	<b>7,729,586</b>
<b>Structured securities<sup>2</sup></b>							
AAA	5,984	107,402	278	22,191	—	—	135,855
AA	—	55,931	—	19,375	—	—	75,306
A	43,519	87,596	14,174	32,788	—	—	178,077
BBB	33,879	40,492	11,642	42,700	—	—	128,713
Below investment grade	2,772	—	17,353	—	—	—	20,125
Not rated	2,981	25,998	550	6,006	—	—	35,535
<b>Sub-total</b>	<b>89,135</b>	<b>317,419</b>	<b>43,997</b>	<b>123,060</b>	<b>—</b>	<b>—</b>	<b>573,611</b>
<b>Others</b>							
Certificate of deposits	—	31,951	—	1,398	—	—	33,349
Others	—	—	—	—	—	—	—
<b>Sub-total</b>	<b>—</b>	<b>31,951</b>	<b>—</b>	<b>1,398</b>	<b>—</b>	<b>—</b>	<b>33,349</b>
<b>Total<sup>3</sup></b>	<b>438,958</b>	<b>6,348,540</b>	<b>203,922</b>	<b>3,298,289</b>	<b>1,137</b>	<b>23,436</b>	<b>10,314,282</b>

Notes:

<sup>1</sup> Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

<sup>2</sup> Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

#### 14 FINANCIAL INVESTMENTS (continued)

##### 14.1 Debt securities (continued)

As at 31 December 2023 and 2022, debt securities of US\$173,609,000 and US\$399,790,000, are subject to repurchase and forward agreements, whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to the repurchase and forward agreements are not derecognised from the statement of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase and forward agreements, the counterparty is restricted from selling or pledging the transferred debt securities. Refer to Note 21 for additional information on the associated liabilities.

##### 14.2 Equity securities

Equity securities at fair value through profit and loss comprise the following:

US\$'000	Policyholder and shareholder		Sub-total	Unit-linked	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder			
31 December 2023	<b>66,849</b>	<b>23,846</b>	<b>90,695</b>	<b>554</b>	<b>91,249</b>
31 December 2022 (Restated)	<b>51,558</b>	<b>23,598</b>	<b>75,156</b>	<b>942</b>	<b>76,098</b>

##### 14.3 Interests in investment funds

Interests in investment funds at fair value through profit and loss comprise the following:

US\$'000	Policyholder and shareholder		Sub-total	Unit-linked	Total
	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder			
31 December 2023	<b>3,627,759</b>	<b>600,586</b>	<b>4,228,345</b>	<b>540,543</b>	<b>4,768,888</b>
31 December 2022 (Restated)	<b>2,987,991</b>	<b>767,914</b>	<b>3,755,905</b>	<b>599,686</b>	<b>4,355,591</b>

**14 FINANCIAL INVESTMENTS** (continued)

**14.4 Debt securities, equity securities and interests in investment funds**

US\$'000	As at 31 December	
	2023	2022 (Restated)
<b>Debt securities</b>		
<b>Policyholder and shareholder</b>		
Listed	8,353,570	8,446,520
Unlisted	2,074,425	1,843,189
<b>Unit linked</b>		
Listed	26,561	24,140
Unlisted	107	433
<b>Total</b>	<b>10,454,663</b>	<b>10,314,282</b>
<b>Equity securities</b>		
<b>Policyholder and shareholder</b>		
Listed	822	—
Unlisted	89,873	75,156
<b>Unit-linked</b>		
Listed	554	942
Unlisted	—	—
<b>Total</b>	<b>91,249</b>	<b>76,098</b>
<b>Interests in investment funds</b>		
<b>Policyholder and shareholder</b>		
Listed	1,463,821	1,588,002
Unlisted	2,764,524	2,167,903
<b>Unit-linked</b>		
Listed	21,014	4,866
Unlisted	519,529	594,820
<b>Total</b>	<b>4,768,888</b>	<b>4,355,591</b>

**14.5 Loans and deposits**

US\$'000	As at 31 December	
	2023	2022 (Restated)
Secured loans	5,736	7,051
Provision for impairment	(514)	(620)
<b>At end of year</b>	<b>5,222</b>	<b>6,431</b>

Secured loans are carried at amortised cost less repayment and any impairment losses. The carrying amounts of secured loans approximate to their fair values.

## 15 DERIVATIVE FINANCIAL INSTRUMENTS

The followings summarised the Company's derivative exposure:

US\$'000	Notional amount	Fair value	
		Assets	Liabilities
31 December 2023			
<b>Foreign exchange contracts</b>			
Forwards	2,689,744	17,309	(16,093)
Cross-currency swaps	389,809	10,135	(12,863)
<b>Total foreign exchange contracts</b>	<b>3,079,553</b>	<b>27,444</b>	<b>(28,956)</b>
<b>Interest rate swaps</b>	—	—	—
<b>Others</b>			
Warrants and options	84,530	6	—
Bond forward contracts	337,000	—	(36,863)
<b>Total</b>	<b>3,501,083</b>	<b>27,450</b>	<b>(65,819)</b>
31 December 2022 (Restated)			
<b>Foreign exchange contracts</b>			
Forwards	3,387,756	17,147	(11,705)
Cross-currency swaps	267,119	9,173	(6,384)
<b>Total foreign exchange contracts</b>	<b>3,654,875</b>	<b>26,320</b>	<b>(18,089)</b>
<b>Interest rate swaps</b>	—	—	—
<b>Others</b>			
Warrants and options	85,517	1	—
Bond forward contracts	(390,000)	35,743	—
<b>Total</b>	<b>3,350,392</b>	<b>62,064</b>	<b>(18,089)</b>

The Company's derivatives are over-the-counter ("OTC") derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

Derivatives assets and derivative liabilities are recognised in the statement of financial position as financial assets at fair value through profit or loss and derivative financial liabilities, respectively. The Company's derivative contracts are established to economic hedge financial exposures. The Company adopts hedge accounting in limited circumstances. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the statement of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

### **Foreign exchange contracts**

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on the foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied volatility of the underlying indices and the timing of payments.

### **Interest rate swaps**

Interest rate contracts are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate contracts involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.



## **15 DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

### **Other derivatives**

Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Credit default swaps represent agreements under which the Company has purchased default protection on certain underlying corporate bonds held in its portfolio. These credit default swaps allow the Company to sell the protected bonds at par value to the counterparty if a default event occurs in exchange for periodic payments made by the Company for the life of the agreement.

### **Collateral under derivative transactions**

As at 31 December 2023, the Company held cash collateral of US\$7,574,000 and debt securities collateral with a carrying value of US\$9,710,000 for assets and pledged debt securities with a carrying value of US\$47,266,000 for liabilities. As at 31 December 2022, the Company held debt securities collateral with a carrying value of US\$16,862,000 for assets and posted cash collateral of US\$36,188,000 and debt securities with a carrying value of US\$43,855,000 for liabilities. The Company did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions.

### **Derivatives designated as hedging instruments**

The Company has designated several cross currency swaps as hedging instruments in respect of the future cash flows of the Company's fixed income assets denominated in foreign currencies with fair values of US\$7,990,000 and US\$794,000 as at 31 December 2023 and 2022 respectively. The terms of the cross currency swaps match future cash flows of the fixed income assets. These hedging relationships were considered highly effective as at 31 December 2023 and 2022 and recognised in the hedging reserve.

For derivative financial instruments that are not designated for hedge accounting purposes are measured at fair value through profit or loss with carrying amounts of the derivatives financial instruments are the same as their fair values.

## 16 FAIR VALUE MEASUREMENT

### Fair value hierarchy

The fair value is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three “levels” based on the observability of inputs available in the marketplace used to measure their fair values (“Fair Value Hierarchy”) as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities and debt securities.
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally includes debt securities, equity securities, interests in investment funds and derivative contracts.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 mainly includes private equity fund investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Company considers factors specific to the asset or liability.

## **16 FAIR VALUE MEASUREMENT** (continued)

### **16.1 Fair value measurements on a recurring basis**

The Company measures certain investment in subsidiaries, financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through OCI, derivative assets and liabilities, and investment contract liabilities at fair value on a recurring basis. The following methods and assumptions were used by the Company to estimate the fair value.

#### **Debt securities, equity securities, investment in subsidiaries at fair value and interests in investment funds**

Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates.

The fair values of listed equity securities and investment funds are based on quoted market prices. The transaction price is used as the best estimate of fair value at inception. The fair values of unlisted private equity funds and investment in subsidiaries at fair value are based on the reported net assets value ("NAV") in their financial statements, considering various factors including 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.

#### **Derivative financial instruments**

The Company values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

#### **Investment contract liabilities without DPF**

Investment contracts can be surrendered by the holder at any time. Accordingly, their fair value is not less than the amount payable on demand. The fair values are based on the fair value of the underlying items less any surrender charges.

**16 FAIR VALUE MEASUREMENT** (continued)

**16.1 Fair value measurements on a recurring basis** (continued)

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below:

US\$'000	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 December 2023</b>				
<b>Recurring fair value measurements</b>				
<b>Investment in subsidiaries</b>	—	—	246,305	246,305
<b>Financial assets</b>				
At fair value through OCI				
Debt securities	811,565	8,998,949	—	9,810,514
Government bonds	811,565	675,128	—	1,486,693
Government agency bonds	—	662,773	—	662,773
Corporate bonds	—	7,037,497	—	7,037,497
Structured securities	—	604,976	—	604,976
Others	—	18,575	—	18,575
At fair value through profit or loss				
Debt securities	—	644,149	—	644,149
Government agency bonds	—	1,594	—	1,594
Corporate bonds	—	529,611	—	529,611
Structured securities	—	112,944	—	112,944
Equity securities	1,376	—	89,873	91,249
Interests in investment funds	1,467,559	993,616	2,307,713	4,768,888
Derivative financial instruments	—	27,450	—	27,450
<b>Total assets on a recurring fair value</b>	<b>2,280,500</b>	<b>10,664,164</b>	<b>2,643,891</b>	<b>15,588,555</b>
<i>% of Total</i>	<i>15%</i>	<i>68%</i>	<i>17%</i>	<i>100%</i>
<b>Financial liabilities</b>				
Investment contract liabilities without DPF	—	—	56,375	56,375
Derivative financial instruments	—	65,819	—	65,819
<b>Total liabilities on a recurring fair value</b>	<b>—</b>	<b>65,819</b>	<b>56,375</b>	<b>122,194</b>
<i>% of Total</i>	<i>—%</i>	<i>54%</i>	<i>46%</i>	<i>100%</i>

**16 FAIR VALUE MEASUREMENT** (continued)

**16.1 Fair value measurements on a recurring basis** (continued)

US\$'000	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 December 2022 (Restated)</b>				
<b>Recurring fair value measurements</b>				
<b>Investment in subsidiaries</b>	—	—	246,305	246,305
<b>Financial assets</b>				
At fair value through OCI				
Debt securities	886,156	8,784,109	—	9,670,265
Government bonds	886,156	762,936	—	1,649,092
Government agency bonds	—	328,644	—	328,644
Corporate bonds	—	7,218,701	—	7,218,701
Structured securities	—	440,479	—	440,479
Others	—	33,349	—	33,349
At fair value through profit or loss				
Debt securities	—	644,017	—	644,017
Corporate bonds	—	510,885	—	510,885
Structured securities	—	133,132	—	133,132
Equity securities	941	—	75,157	76,098
Interests in investment funds	1,591,927	595,761	2,167,903	4,355,591
Derivative financial instruments	—	62,064	—	62,064
<b>Total assets on a recurring fair value</b>	<b>2,479,024</b>	<b>10,085,951</b>	<b>2,489,365</b>	<b>15,054,340</b>
<i>% of Total</i>	<i>16%</i>	<i>67%</i>	<i>17%</i>	<i>100%</i>
<b>Financial liabilities</b>				
Investment contract liabilities without DPF	—	—	112,134	112,134
Derivative financial instruments	—	18,089	—	18,089
<b>Total liabilities on a recurring fair value</b>	<b>—</b>	<b>18,089</b>	<b>112,134</b>	<b>130,223</b>
<i>% of Total</i>	<i>—%</i>	<i>14%</i>	<i>86%</i>	<i>100%</i>

The Company's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the years ended 31 December 2023, US\$1,507,000 of listed government bonds and US\$500,000 unlisted investment funds were transferred from level 1 to level 2 respectively while US\$28,019,000 of listed government bonds were transferred from Level 2 to Level 1. There are no movement of financial assets between Level 1 and Level 2 during the year ended 2022.

The Company's Level 2 financial instruments include debt securities, equity securities, and derivative instruments. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

The tables below set out a summary of changes in the Company's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2023 and 2022. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2023 and 2022. During the year ended 31 December 2022 and 2023, there were no transfers into or out of Level 3.

**16 FAIR VALUE MEASUREMENT** (continued)

**16.1 Fair value measurements on a recurring basis** (continued)

**Level 3 assets and liabilities**

US\$'000	Equity securities	Interests in investment funds	Investment contract liabilities without DPF	Investment in subsidiaries
<b>As at 1 January 2023</b>	75,157	2,167,903	(112,134)	246,305
Net movement on investment contract liabilities	—	—	55,759	—
Total gains/(losses)				
Reported under investment return in the statement of profit or loss	14,716	(77,797)	—	—
Purchases	—	313,368	—	—
Sales	—	(95,761)	—	—
<b>As at 31 December 2023</b>	<b>89,873</b>	<b>2,307,713</b>	<b>(56,375)</b>	<b>246,305</b>

Change in unrealised gains/(losses) included in the statement of profit or loss for assets and liabilities held at the end of the reporting period, under investment return

13,775	(72,473)	—	—
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US\$'000	Equity securities	Interests in investment funds	Investment contract liabilities without DPF	Investment in subsidiaries
<b>As at 1 January 2022 (Restated)</b>	158,439	2,211,946	(151,488)	246,305
Net movement on investment contract liabilities	—	—	39,354	—
Total (losses)/gains				
Reported under investment return in the statement of profit or loss	(83,282)	(317,630)	—	—
Purchases	—	616,419	—	—
Sales	—	(342,832)	—	—
<b>As at 31 December 2022 (Restated)</b>	<b>75,157</b>	<b>2,167,903</b>	<b>(112,134)</b>	<b>246,305</b>

Change in unrealised losses included in the statement of profit or loss for assets and liabilities held at the end of the reporting period, under investment return

(83,282)	(301,029)	—	—
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Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in Note 20.

## **16 FAIR VALUE MEASUREMENT** (continued)

### **16.1 Fair value measurements on a recurring basis** (continued)

#### **Level 3 interests in investment funds and equity securities**

As at 31 December 2023 and 2022, interests in investment funds classified as level 3 mainly include unlisted investment funds, and equity securities classified as level 3 mainly include unlisted private equity funds. The Company determines the fair values of these investment funds and unlisted private equity funds based on the reported NAV in their audited financial statements and may make adjustments where appropriate taking into consideration various factors including accounting policies adopted by the fund, the restrictions and barriers preventing the Company from disposing of its interests in such fund and the Company's ownership percentage in such fund. For those funds where December year end audited financial statements are not available, the Company performs a roll forward analysis on the latest NAV of the fund based on fund managers' statements available and capital movements up to the December year end. This valuation methodology is in accordance with guidelines of the International Valuation Standards Council. The Company considers that the change in the input to the valuation technique would not have a significant impact on the financial statements. No quantitative analysis has been presented.

#### **Level 3 investment contract liabilities without DPF**

Investment contract liabilities categorised in Level 3 of the fair value hierarchy are measured with reference to the value of the underlying items which are mainly unlisted investment funds.

### **16.2 Fair value measurements for disclosure purpose**

Fair values of financial assets and liabilities for disclosure purpose are determined using the same Fair Value Hierarchy.

#### **Loans and deposits**

For loans and deposits that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The carrying amount of cash and cash equivalents, other financial assets and other financial liabilities are not materially different to their fair values.

#### **Other assets**

The carrying amount of other financial assets is not materially different to their fair value.

#### **Cash and cash equivalents**

The carrying amount of cash approximates its fair value.

#### **Other liabilities**

The fair values of other unquoted financial liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

**16 FAIR VALUE MEASUREMENT** (continued)

**16.2 Fair value measurements for disclosure purpose** (continued)

Fair value of underlying items for the Company's insurance contracts with direct participation features as at 31 December 2023 and 2022 is given below.

US\$'000	As at 31 December	
	2023	2022 (Restated)
<b>Financial assets</b>		
Loans and deposits	5,222	6,431
At fair value through OCI		
Debt securities	9,088,227	9,115,935
Government bonds	1,305,908	1,406,044
Government agency bonds	639,156	304,595
Corporate bonds	6,522,777	6,983,269
Structured securities	601,811	388,678
Others	18,575	33,349
At fair value through profit or loss		
Debt securities	566,316	609,802
Government bonds	—	—
Government agency bonds	1,594	—
Corporate bonds	452,013	500,029
Structured securities	112,709	109,773
Equity securities and investment funds	4,644,746	4,170,716
Equity securities	67,403	51,558
Interests in investment funds	4,577,343	4,119,158
Derivative financial instruments	22,657	25,673
Cash and cash equivalents	130,884	84,924
<b>Total assets on a recurring fair value measurement basis</b>	<b>14,458,052</b>	<b>14,013,481</b>
<b>Financial liabilities</b>		
Derivative financial instruments	(39,906)	(17,579)
<b>Total liabilities on a recurring fair value measurement basis</b>	<b>(39,906)</b>	<b>(17,579)</b>



## 17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

US\$'000	As at 31 December	
	2023	2022
		(Restated)
Other receivable	15,025	13,492
Accrued investment income	121,009	112,685
Deposits	8,798	7,110
Prepayments	36,724	22,341
Investment receivables	14,850	7,989
<b>Total</b>	<b>196,406</b>	<b>163,617</b>

None of the above assets is either past due or impaired. The financial assets included in above balances relate to receivables for which there was no recent history of default.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

## 18 CASH AND CASH EQUIVALENTS

US\$'000	As at 31 December	
	2023	2022
Saving accounts	296,398	167,802
Current accounts	56,378	58,002
Cash on hand	1	1
<b>Total</b>	<b>352,777</b>	<b>225,805</b>

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less.

## 19 BUSINESS ACQUISITIONS AND DISPOSALS

### Disposal group classified as held for sale

On 18 June 2021, FWD Group Holdings Limited ("the Group") entered into a framework agreement, pursuant to which the Group agreed to sell 100% of the share capital of FWD Assurance Vietnam Company Limited to third parties, subject to the terms set out in the agreement and execution of a Share Purchase Agreement. On 13 October 2021, the Share Purchase Agreement was executed, and the disposal is subject to regulatory approvals. Accordingly, FWD Assurance Vietnam Company Limited is classified as a disposal group held for sale.

As of 1 January 2022, the investment cost in FWD Assurance Vietnam Company Limited of US\$40,000,000 is classified as asset held for sales. On 21 March 2022, FWD Assurance Vietnam Company Limited was disposed and the disposal group classified as held for sale was written off with gain on disposal recorded in the profit or loss.

## 20 INVESTMENT CONTRACT LIABILITIES

US\$'000	As at 31 December	
	2023	2022
		(Restated)
<b>At beginning of year</b>	(112,134)	(151,488)
Premium received	(188)	—
Benefits paid	51,756	26,234
Investment return from underlying assets	3,828	12,968
Others	363	152
<b>At end of year</b>	<b>(56,375)</b>	<b>(112,134)</b>

## 21 OTHER LIABILITIES

US\$'000	As at 31 December	
	2023	2022
		(Restated)
Trade and other payables	121,642	171,557
Obligations under repurchase and forward arrangements	173,609	399,790
<b>Total</b>	<b>295,251</b>	<b>571,347</b>

All trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. Accordingly, no ageing analysis has been provided.

During the years ended 31 December 2023 and 2022, the Company has entered into repurchase and forward agreements whereby certain debt securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. Refer to Note 14.1 for details.

## 22 LEASE LIABILITIES

### *The Company as a lessee*

The Company has lease contracts for various office premises, residential units, car parks, office equipment, IT-related and other assets.

#### (a) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

US\$'000	2023	2022
<b>Carrying amount at 1 January</b>	53,864	55,634
New Leases	31,627	15,586
Accretion of interest expenses during the year	2,244	1,891
Payments	(19,680)	(18,572)
Remeasurement	(2,680)	—
Termination	(486)	—
Exchange	(127)	(675)
<b>Carrying amount at 31 December</b>	<b>64,762</b>	<b>53,864</b>
Analysed into:		
Current portion	17,083	15,559
Non-current portion	47,679	38,305
<b>Carrying amount at 31 December</b>	<b>64,762</b>	<b>53,864</b>

The maturity analysis of lease liabilities is disclosed in Note 28 to the financial statements.

#### (b) The amounts recognised in profit or loss in relation to lease are as follows:

USD\$'000	Notes	Year ended 31 December	
		2023	2022
Finance costs - interest on lease liabilities		2,244	1,891
Depreciation charge of right-of-use assets		19,745	18,385
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December		459	508
<b>Total amount recognised in profit or loss</b>		<b>22,448</b>	<b>20,784</b>

## 23 SHARE CAPITAL, RESERVES AND DIVIDENDS

### 23.1 Share capital

US\$'000	As at 31 December	
	2023	2022
Authorised Share Capital	3,000,000	3,000,000
Issued and fully paid:		
1,829,602 ordinary shares (2022: 1,784,143 (Note))	1,829,602	1,784,143

#### Notes:

- (i) On 21 January 2022, the Company issued 70,116,300 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$ 70,116,300.
- On 8 February 2022, the Company issued 26,651,100 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$ 26,651,100.
- On 29 March 2022, the Company issued 50,000,000 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$ 50,000,000.
- On 8 April 2022, the Company issued 40,000,000 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$ 40,000,000.
- On 24 June 2022, the Company issued 709,926,000 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$ 709,926,000.
- On 3 November 2022, the Company issued 22,121,100 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$ 22,121,100.
- On 30 June 2023, the Company issued 45,459,419 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$45,459,419.
- (ii) On 24 June 2022, the Company redeemed 709,926 preference shares of US\$1,000 each.

### 23.2 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

### 23.3 Dividends

During the year, no dividends (2022: Nil) were declared to the holder of non-voting preference shares. Non-cumulative dividend is granted at the discretion of the Company.

## 24 SHARE-BASED COMPENSATION

Eligible employees are granted the Share Option and RSU Plan operated by the intermediate holding company, FWD Limited, to reward service and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

### (a) Share options

The following table shows the movement in outstanding share options under the Company's Share Option and RSU Plan:

Number of share-options	As at 31 December	
	2023	2022
Outstanding at beginning of the year	51,379	87,404
Awarded	—	—
Forfeited	(3,473)	(11,765)
Vested	(24,625)	(24,260)
Outstanding at end of the year	<u>23,281</u>	<u>51,379</u>

### Valuation methodology

To calculate the fair value of the awards with performance conditions, the Company estimates the fair value of share options using the Black-Scholes model and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for the awards is inherently subjective due to the assumptions made.

Number of share options exercised during the year was 20,124 (2022: 98,921).

No share options were granted during the year ended 31 December 2023. (2022: Nil)

**24 SHARE-BASED COMPENSATION** (continued)

(a) Share options (continued)

**Recognised compensation cost**

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the financial statements related to share options granted under the Share Option and RSU Plan by the Company for the year ended 31 December 2023 is US\$197,000 (2022: US\$1,509,000).

(b) RSUs

The following table shows the movement in outstanding RSUs under the Company's Share Option and RSU Plan:

Number of shares	As at 31 December	
	2023	2022
Outstanding at beginning of the year	65,454	11,411
Awarded	43,131	57,664
Forfeited	(11,383)	(5,679)
Transferred	(1,741)	2,058
Outstanding at end of the year	<u>95,461</u>	<u>65,454</u>

To calculate the fair value of the awards with performance conditions, the Company utilises an appraisal value method (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for the awards is inherently subjective due to the assumptions made.

The total fair value of RSUs granted in 2023 is US\$4,345,000 (2022: US\$6,164,000).

**Recognised compensation cost**

The fair value of the employee services received in exchange for the grant of RSUs is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in liabilities.

The total expense recognised in the financial statements related to RSUs granted under the Share Option and RSU Plan by the Company for the year ended 31 December 2023 is US\$2,666,000 (2022: US\$1,864,000).

**25 COMMITMENTS AND CONTINGENCIES**

Contingencies

There were alleged premium misappropriation complaint cases against an intermediary of the Company. The cases were all settled as of 31 December 2023.

Certain agents were involved in the fraudulent selling of policies. The Company has been taking action against these agents to claw back the recruitment packages. Repayment arrangement is made with certain agents and the amount related is US\$1,203,000 (2022: US\$2,769,000).

Commitments in Malaysia

As of 31 December 2023 and 2022, the Company had no commitments and a commitment of US\$26,477,000, respectively, in Malaysia.

Investment and capital commitments

As of 31 December 2023 and 2022, the Company has investments and capital commitments to invest in its private equity partnerships.

US\$'000	As at 31 December	
	2023	2022
Within one year	75,064	122,082
In the second to fifth years	413,702	488,327
Over five years	—	—
<b>Total</b>	<b>488,766</b>	<b>610,409</b>

## 26 RELATED PARTY TRANSACTIONS

A portion of the Company's business is represented by transactions with certain related companies and these financial statements reflect the effect of these transactions which are conducted in accordance with terms mutually agreed between the parties.

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following related party transactions during the year:
- (i) The Company charged US\$29,123,000 (2022: US\$25,476,000) to fellow subsidiaries and US\$9,256,000 (2022: US\$6,443,000) to subsidiaries for provision of management services. The management service fees were in accordance with terms mutually agreed by the parties.
  - (ii) The Company entered into a risk premium reinsurance agreement with a fellow subsidiary of the Company to transfer 70% risk of a specified block of policies underwritten by the fellow subsidiary on 1 January 2017. The total premium revenue, total commission expense and claims paid based on the terms determined between the Company and the fellow subsidiary, under the risk premium reinsurance agreement for the year were US\$209,000, US\$50,000 and US\$28,000 (2022: US\$684,000, US\$196,000 and US\$121,000), respectively.
  - (iii) The Company entered into a coinsurance agreement with fellow subsidiaries of the Company during the year 2021. The total premium revenue, total commission expense, and claims paid based on the terms determined between the Company and fellow subsidiaries, under the coinsurance agreement for the year were US\$98,493,000, US\$1,710,000 and US\$32,695,000 (2022: US\$282,963,000, US\$77,769,000 and US\$79,000), respectively.
  - (iv) The Company paid US\$6,612,000 (2022: US\$5,621,000) advertising expenses to related parties for several promotion campaigns on terms mutually agreed by the parties.
  - (v) The Company received premium revenue of US\$1,384,000 (2022: US\$1,774,000) from a subsidiary on terms mutually agreed by the parties.
  - (vi) The Company paid telecommunication and maintenance fee of US\$2,237,000 (2022: US\$2,341,000) to related parties and investment management fee of US\$10,033,000 (2022: US\$11,585,000) to a related party for investment management services received, in accordance with terms mutually agreed by parties. Such investment management services relate to a key outsourcing arrangement, which is subject to the Company's outsourcing policy developed based on Guideline 14 issued by the Insurance Authority.
  - (vii) The Company paid US\$509,000 (2022: US\$939,000) to related companies and US\$40,191,000 (2022: US\$40,442,000) to fellow subsidiaries and US\$32,000 (2022: US\$ Nil) to a subsidiary for administration, consultancy and management services received and reimbursed US\$995,000 (2022: US\$828,000) from a related company for the HR services. The transactions were based on terms mutually agreed by both parties.
  - (viii) The Company sold life and medical insurance policies for its staff and agents to related companies and fellow subsidiaries on terms mutually agreed by the parties. Total insurance incomes from the related companies and a fellow subsidiary for the year amounted US\$2,884,000 (2022: US\$10,123,000) and US\$890,000 (2022: US\$893,000), respectively.
  - (ix) The Company paid US\$2,609,000 (2022: US\$2,055,000) to a fellow subsidiary for the branding services received based on terms mutually agreed by both parties.
  - (x) The Company paid commissions of US\$74,000, US\$3,488,000 and US\$6,930,000 (2022: US\$74,000, US\$2,844,000 and US\$3,708,000) to a fellow subsidiary, a subsidiary and related parties, respectively, based on terms mutually agreed by both parties.
  - (xi) The Company entered into a reinsurance agreement with a related party. The total premium revenue, total commission expense and claims paid for the year were US\$21,651,000, US\$4,217,000 and US\$17,767,000 (2022: US\$22,392,000, US\$4,066,000 and US\$16,970,000), respectively.
  - (xii) The Company has entered into reinsurance contracts with a related party. The total premium ceded, claim recovery received and commission income received for the year were US\$3,673,000, US\$717,000 and US\$1,055,000 (2022: US\$2,594,000, US\$973,000 and US\$182,000), respectively.
  - (xiii) The Company paid cash dividend to a related person for the year amounted to US\$4,000 (2022: US\$2,000).

**26 RELATED PARTY TRANSACTIONS** (continued)

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

US\$'000	As at 31 December	
	2023	2022
Salaries, allowances and benefits in kind	7,275	6,626
Performance related bonuses	7,491	6,286
Pension scheme contribution	459	355
Equity-settled share option expenses	197	1,509
RSU expenses	2,288	1,347
<b>Total compensation paid to key management personnel</b>	<b>17,710</b>	<b>16,123</b>

(c) The balances with related parties are disclosed as below. All balances are unsecured, interest-free and repayable on demand. The balance disclosed below includes (i) non-insurance related and (ii) insurance related balances which is measured in accordance with HKFRS17 in the statement of financial position.

US\$'000	As at 31 December	
	2023	2022
		(Restated)
Amount due from an immediate holding company	5	5
Amount due from subsidiaries	24,661	14,072
Amount due from fellow subsidiaries		
- insurance-related amounts receivables	389,008	317,092
- other amounts receivables	37,582	28,126
	426,590	345,218
Amount due from related companies		
- insurance-related amounts receivables	—	429
- other amounts receivables	2,072	3,758
	2,072	4,187
Amount due to intermediate holding company	2,498	1,213
Amount due to subsidiaries	245,223	238,808
Amount due to fellow subsidiaries	19,041	30,674
Amount due to related parties		
- insurance-related amounts payables	3,840	—
- other amounts payable	1,604	1,987
	5,444	1,987



**27 FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments of the Company, other than insurance and investment contract liabilities and reinsurance contract assets, as at the end of the reporting period are as follows:

**As at 31 December 2023**Financial assets

US\$'000	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Financial assets				
Loans and deposits	—	—	5,222	5,222
Debt securities	9,810,514	644,149	—	10,454,663
Equity securities	—	91,249	—	91,249
Interests in investment funds	—	4,768,888	—	4,768,888
Derivative financial instruments	—	27,450	—	27,450
Deposits and other receivables	—	—	159,682	159,682
Cash and cash equivalents	—	—	352,777	352,777
Due from an immediate holding company	—	—	5	5
Due from subsidiaries	—	—	24,661	24,661
Due from fellow subsidiaries	—	—	37,582	37,582
Due from related companies	—	—	2,072	2,072
<b>Total</b>	<b>9,810,514</b>	<b>5,531,736</b>	<b>582,001</b>	<b>15,924,251</b>

Financial liabilities

US\$'000	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Financial liabilities			
Derivative financial instruments	65,819	—	65,819
Due to intermediate holding company	—	2,498	2,498
Due to subsidiaries	—	245,223	245,223
Due to fellow subsidiaries	—	19,041	19,041
Due to related companies	—	1,604	1,604
Other liabilities	—	295,069	295,069
Lease Liabilities	—	64,762	64,762
<b>Total</b>	<b>65,819</b>	<b>628,197</b>	<b>694,016</b>

**27 FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

As at 31 December 2022 (Restated)

Financial assets

US\$'000	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Financial assets				
Loans and deposits	—	—	6,431	6,431
Debt securities	9,670,265	644,017	—	10,314,282
Equity securities	—	76,098	—	76,098
Interests in investment funds	—	4,355,591	—	4,355,591
Derivative financial instruments	—	62,064	—	62,064
Deposits and other receivables	—	—	141,276	141,276
Cash and cash equivalents	—	—	225,805	225,805
Due from an immediate holding company	—	—	5	5
Due from subsidiaries	—	—	14,072	14,072
Due from fellow subsidiaries	—	—	28,126	28,126
Due from related companies	—	—	3,758	3,758
<b>Total</b>	<b>9,670,265</b>	<b>5,137,770</b>	<b>419,473</b>	<b>15,227,508</b>

Financial liabilities

US\$'000	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
Financial liabilities			
Derivative financial instruments	18,089	—	18,089
Due to intermediate holding company	—	1,213	1,213
Due to subsidiaries	—	238,808	238,808
Due to fellow subsidiaries	—	30,674	30,674
Due to related companies	—	1,987	1,987
Other liabilities	—	571,110	571,110
Lease Liabilities	—	53,864	53,864
<b>Total</b>	<b>18,089</b>	<b>897,656</b>	<b>915,745</b>

## 28 RISK MANAGEMENT

### Risk management framework

The Company's Risk Management Framework has been established for the identification, evaluation and management of the key risks faced by the organisation within its stated Risk Appetite. The framework includes an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial and non-financial risks.

The Company issues contracts that transfer insurance risks, financial risks or both. The insurance risks and financial risks associated with the Company's operations and the Company's management of these risks are summarised below:

### Insurance risks

#### Life insurance contracts

Insurance risks comprise product design risk, underwriting and expense overrun risk, lapse risk and claims risk.

##### (a) *Product design risk*

Product design risk refers to potential defects in the development of a particular insurance product. The Company manages product design risk through its product approval process where products are reviewed against pricing, design and operational risk parameters. New products and product enhancements are reviewed and approved by the Company Chief Actuary.

The Company closely monitors the performance of new products and actively manages the product portfolio to minimise risks in the in-force book and new products. A portion of the Company's life insurance business is participating in nature. In the event of a volatile investment environment and/or unusual claims experience, the Company has the option of adjusting non-guaranteed bonuses and dividends payable to policyholders.

##### (b) *Underwriting and expense overrun risk*

Underwriting and expense overrun risk refers to the possibility of product-related income being inadequate to support future obligations arising from an insurance product. The Company manages underwriting risk by adhering to underwriting guidelines. Each operating unit maintains a team of professional underwriters who review and select risks that are consistent with the underwriting strategy of the Company. In certain circumstances where insufficient experience data is available, the Company makes use of reinsurers to obtain underwriting expertise. In pricing insurance products, the Company manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium-to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed to control expenses.

##### (c) *Lapse risk*

Lapse risk refers to the possibility that lapse experience diverges from that assumed when products were priced. It includes potential financial loss due to early termination of contracts where the acquisition costs incurred may not be recoverable from future revenue. The Company carries out regular reviews of persistency experience. In addition, many of the Company's products include surrender charges that entitle the Company to additional fees on early termination by the policyholder, thereby reducing exposure to lapse risk.

##### (d) *Claims risk*

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced. The Company seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of these on product design, pricing and reinsurance needs.

Reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes. Although the Company has reinsurance arrangements in place, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

## 28 RISK MANAGEMENT (continued)

### Insurance risks (continued)

#### Concentration risk

The Company actively assesses and manages concentration of insurance risk, either geographical or product concentration risk, of the Company's operations, as below:

- i. Concentration of insurance risk arises from a lack of geographical and product diversification within the Company's insurance portfolio, and could result in significant financial losses in the case certain events exhibiting geographical and/or product concentrations occur and give rise to higher levels of claims;
- ii. From a geographical standpoint, because the Company operates across multiple markets, its results of operations are not substantially dependent on any one of its individual markets. Such regional footprint provides a natural benefit of geographical diversification of insurance and other risks associated with the Company's operations (e.g., regulatory, competitive and political risks of a localised and single-market nature);
- iii. From a product exposure standpoint, despite the Company's primary focus on long-term life insurance, it has a range of product offerings with different extent and nature of risk coverage, e.g., participating, critical illness, unit-linked, term life and medical. This naturally also reduces the Company's exposures to concentrations of mortality or morbidity risk;
- iv. Concentrations of risk are managed within each market through the monitoring of product sales and size of the in-force book by product group. As a result of the Company's growing operating history and scale, a substantial amount of experience data has been accumulated which assists in evaluation, pricing and management of insurance risk; and
- v. In addition, reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes, and the Company has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance program is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones.

#### Sensitivity analysis

The table below analyses how profit or loss and equity would have increased/(decreased) if changes in key assumptions related to determination of insurance and reinsurance contract balances that were reasonably possible at the reporting date had occurred. This disclosure does not offset movements in the fair value of financial assets backing those liabilities. This analysis presents the sensitivities both gross and net of reinsurance contracts held and assumes that all other assumptions remain constant. The effects on profit or loss and equity are presented gross of the related income tax.

31 December 2023 US\$'000	Profit or loss		CSM		Equity	
	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(9,445)	(7,058)	(56,437)	(34,975)	(5,570)	(8,048)
10% decrease in mortality	9,689	7,172	59,369	36,937	5,603	8,297
10% increase in morbidity	(57,823)	(53,802)	(457,813)	(422,020)	(437)	(3,281)
10% decrease in morbidity	57,664	53,574	458,835	422,354	276	3,239
10% increase in expenses	(14,499)	(14,363)	(67,372)	(67,456)	(12,630)	(12,494)
10% decrease in expenses	13,816	13,693	67,371	67,442	12,034	11,910
10% increase in lapse/discontinuance rates	(39,479)	(38,310)	(208,269)	(200,833)	(17,226)	(18,443)
10% decrease in lapse/discontinuance rate	46,431	45,150	252,816	244,867	18,888	20,206

31 December 2022 (Restated) US\$'000	Profit or loss		CSM		Equity	
	Gross	Net	Gross	Net	Gross	Net
10% increase in mortality	(18,312)	(15,778)	(65,613)	(43,458)	(11,947)	(14,904)
10% decrease in mortality	13,779	11,152	41,804	18,791	7,076	10,249
10% increase in morbidity	(58,536)	(54,626)	(449,507)	(417,123)	38,124	34,952
10% decrease in morbidity	53,738	49,750	432,796	399,837	(42,932)	(39,665)
10% increase in expenses	(24,584)	(24,385)	(72,110)	(72,265)	(22,107)	(21,908)
10% decrease in expenses	18,199	18,002	48,591	48,744	15,724	15,526
10% increase in lapse/discontinuance rates	(39,905)	(40,373)	(202,478)	(199,883)	(1,271)	(3,535)
10% decrease in lapse/discontinuance rate	45,666	46,126	214,922	211,777	(2,505)	(61)

## 28 RISK MANAGEMENT (continued)

### Financial risks

The Company is exposed to a range of financial risks, including asset concentration risk, credit risk, market risk, and liquidity risk. The Company applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

The following section summarises the Company's key risk exposures and the primary policies and processes used by the Company to manage its exposures to these risks.

### Asset concentration risk

Concentration risk is managed at the Company level. The Company will determine concentration limits. Limits are set for single issuers, groups of related issuers, country of risk and sectors. The Company's investment system maintains a set of rules monitoring such limits. Violations of such rules trigger alerts or pre-trade approvals depending on materiality. The investment team works with external managers to ensure asset exposures stay within the stated limits. Exposures exceeding limits needs to be tabled at the Company's Asset and Liability Management Committee or Investment Committee. These committees decide the course of action required to address limit violations should they occur. Limit monitoring takes place at the Company level. Asset concentration reports are tabled at the relevant committees.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Although the primary source of credit risk is from the Company's investment portfolio, credit risk also arises in reinsurance arrangements, derivative transactions, settlement and treasury activities.

The level of credit risk the Company accepts is managed and monitored by the Company Asset and Liability Management Committee, through establishment of an exposure limit for each counterparty or group of counterparties, reporting of credit risk exposures, monitoring compliance with exposure limits, and a regular review of limits due to changes in the financial strength and risk appetite of the Company and/or macro-economic environment.

The Company actively manages its investments to ensure that there is no significant concentration of credit risk to single counterparty or single group of related counterparties. On aggregate basis, the overall credit quality of the investment portfolio has to meet target quality.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Company's credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Company monitors changes in credit risk by tracking the change in internal rating of the exposure. The Company also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

#### *Expected Credit Loss ("ECL") Methodology*

The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Company adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Good" scenario and "Bad" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

The Baseline scenario is prepared using historical data, economic trend, external forecast from governmental and non-governmental organisations, etc. as benchmarks to ensure the scenario is reasonable and supportable. For the Good and Bad scenarios, the Company makes reference to the historical and forecast macroeconomic data.

**28 RISK MANAGEMENT** (continued)

**Credit risk** (continued)

*Expected Credit Loss (“ECL”) Methodology* (continued)

The macroeconomic factors in the major countries/regions the Company operates or invests in such as Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate are applied in the economic scenarios. These macroeconomic factors are considered to be important to the Company’s ECL in statistical analysis and business opinion.

The probability assigned for each scenario reflects the Company’s view for the economic environment, which implements the Company’s prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability is assigned to the Good and Bad scenarios to reflect the less likely outcomes.

The following tables set out the credit quality analysis for debt investments measured at FVOCI. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

US\$'000	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>31 December 2023</b>					
<b>Debt securities under FVOCI</b>					
AAA	257,053	—	—	—	257,053
AA	2,789,716	—	—	—	2,789,716
A	4,331,148	—	—	—	4,331,148
BBB	3,752,246	—	—	—	3,752,246
Below investment grade	61,482	34,508	—	—	95,990
Not rated	65,394	—	—	—	65,394
Sub-total	11,257,039	34,508	—	—	11,291,547
Loss Allowance	(11,380)	(1,053)	—	—	(12,433)
<b>Amortised cost</b>	<b>11,245,659</b>	<b>33,455</b>	<b>—</b>	<b>—</b>	<b>11,279,114</b>
<b>Carrying amount – fair value</b>	<b>9,779,544</b>	<b>30,970</b>	<b>—</b>	<b>—</b>	<b>9,810,514</b>

US\$'000	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>31 December 2022 (Restated)</b>					
<b>Debt securities under FVOCI</b>					
AAA	1,510,033	—	—	—	1,510,033
AA	1,457,392	—	—	—	1,457,392
A	4,605,823	—	—	—	4,605,823
BBB	4,034,770	—	—	—	4,034,770
Below investment grade	71,874	—	—	—	71,874
Not rated	64,458	—	—	—	64,458
Sub-total	11,744,350	—	—	—	11,744,350
Loss Allowance	(12,194)	—	—	—	(12,194)
<b>Amortised cost</b>	<b>11,732,156</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,732,156</b>
<b>Carrying amount – fair value</b>	<b>9,670,265</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9,670,265</b>

**28 RISK MANAGEMENT** (continued)

**Credit risk** (continued)

*Expected Credit Loss (“ECL”) Methodology* (continued)

US\$'000	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>31 December 2023</b>					
<b>Loans and deposits under amortised cost</b>					
AAA	—	—	—	—	—
AA	—	—	—	—	—
A	—	—	—	—	—
BBB	—	—	—	—	—
Below investment grade	—	—	—	—	—
Not rated	5,222	—	514	—	5,736
Sub-total	5,222	—	514	—	5,736
Loss Allowance	—	—	(514)	—	(514)
<b>Carrying amount</b>	<b>5,222</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,222</b>

US\$'000	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>31 December 2022 (Restated)</b>					
<b>Loans and deposits under amortised cost</b>					
AAA	—	—	—	—	—
AA	—	—	—	—	—
A	—	—	—	—	—
BBB	—	—	—	—	—
Below investment grade	—	—	—	—	—
Not rated	6,449	—	602	—	7,051
Sub-total	6,449	—	602	—	7,051
Loss Allowance	(18)	—	(602)	—	(620)
<b>Carrying amount</b>	<b>6,431</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,431</b>

**28 RISK MANAGEMENT** (continued)

**Credit risk** (continued)

*Expected Credit Loss (“ECL”) Methodology* (continued)

The following tables show reconciliation from the opening balance to the closing balance of the loss allowance of the debt securities at FVOCI and loans and deposits measured at amortised cost.

US\$'000	Increase/ (decrease) in gross carrying amount	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>Debt securities under FVOCI</b>						
<b>As at 1 January 2023</b>		(12,194)	—	—	—	(12,194)
Transfer to Stage 1	—	—	—	—	—	—
Transfer to Stage 2	—	323	(323)	—	—	—
Transfer to Stage 3	—	—	—	—	—	—
Net remeasurement of loss allowance	—	1,948	(730)	—	—	1,218
New financial assets acquired	2,791,109	(3,951)	—	—	—	(3,951)
Financial assets derecognised	(2,971,060)	2,557	—	—	—	2,557
Write-offs	—	—	—	—	—	—
Effects of movements in exchange rates	—	(63)	—	—	—	(63)
<b>As at 31 December 2023</b>		<b>(11,380)</b>	<b>(1,053)</b>	—	—	<b>(12,433)</b>

US\$'000	Increase/ (decrease) in gross carrying amount	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>Debt securities under FVOCI</b>						
<b>As at 1 January 2022 (Restated)</b>		(4,540)	—	—	—	(4,540)
Transfer to Stage 1	—	—	—	—	—	—
Transfer to Stage 2	—	—	—	—	—	—
Transfer to Stage 3	—	—	—	—	—	—
Net remeasurement of loss allowance	—	(5,147)	—	—	—	(5,147)
New financial assets acquired	4,378,388	(3,295)	—	—	—	(3,295)
Financial assets derecognised	(3,400,157)	595	—	—	—	595
Write-offs	—	—	—	—	—	—
Effects of movements in exchange rates	—	193	—	—	—	193
<b>As at 31 December 2022 (Restated)</b>		<b>(12,194)</b>	—	—	—	<b>(12,194)</b>



**28 RISK MANAGEMENT** (continued)

**Credit risk** (continued)

*Expected Credit Loss (“ECL”) Methodology* (continued)

US\$'000	Increase/ (decrease) in gross carrying amount	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>Loans and deposits under amortised cost</b>						
<b>As at 1 January 2023</b>	—	(18)	—	(602)	—	(620)
Transfer to Stage 1	—	—	—	—	—	—
Transfer to Stage 2	—	—	—	—	—	—
Transfer to Stage 3	—	18	—	(18)	—	—
Net remeasurement of loss allowance	—	—	—	(21)	—	(21)
New financial assets acquired	—	—	—	—	—	—
Financial assets derecognised	(1,315)	—	—	—	—	—
Write-offs	—	—	—	—	—	—
Effects of movements in exchange rates	—	—	—	127	—	127
<b>As at 31 December 2023</b>		—	—	(514)	—	(514)

US\$'000	Increase/ (decrease) in gross carrying amount	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
<b>Loans and deposits under amortised cost</b>						
<b>As at 1 January 2022 (Restated)</b>	—	(49)	—	(493)	—	(542)
Transfer to Stage 1	—	—	—	—	—	—
Transfer to Stage 2	—	—	—	—	—	—
Transfer to Stage 3	—	—	—	—	—	—
Net remeasurement of loss allowance	—	27	—	(109)	—	(82)
New financial assets acquired	—	—	—	—	—	—
Financial assets derecognised	(276)	—	—	—	—	—
Write-offs	—	—	—	—	—	—
Effects of movements in exchange rates	—	4	—	—	—	4
<b>As at 31 December 2022 (Restated)</b>		(18)	—	(602)	—	(620)

**28 RISK MANAGEMENT** (continued)

**Interest rate risk**

The Company's exposure to interest rate risk predominantly arises from any difference between the duration of the Company's liabilities and assets, predominantly its traditional insurance liabilities. This exposure is heightened in products with inherent interest rate options or guarantees.

The Company seeks to manage interest rate risk by ensuring appropriate product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is challenging to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by the Asset and Liability Management Committee of the Company. The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities.

US\$'000	Variable interest rate		Fixed interest rate	Non-interest bearing	Total
<b>31 December 2023</b>					
<b>Financial assets</b>					
Debt securities	1,008,071		9,446,592	—	10,454,663
Cash and cash equivalents	352,777		—	—	352,777
Loans and deposits	—		5,222	—	5,222
Equity securities	—		—	91,249	91,249
Interests in investment funds	—		—	4,768,888	4,768,888
Derivative financial instruments	—		—	27,450	27,450
Accrued investment income	—		—	121,009	121,009
Other assets	—		—	38,673	38,673
Due from an immediate holding company	—		—	5	5
Due from subsidiaries	—		—	24,661	24,661
Due from fellow subsidiaries	—		—	37,582	37,582
Due from related companies	—		—	2,072	2,072
<b>Total financial assets</b>	<b>1,360,848</b>		<b>9,451,814</b>	<b>5,111,589</b>	<b>15,924,251</b>
<b>Insurance and reinsurance contract assets</b>					
Insurance contract assets					61,577
Reinsurance contract assets					325,358
<b>Total insurance and reinsurance contract assets</b>					<b>386,935</b>
<b>Financial liabilities</b>					
Investment contract liabilities	—		—	56,375	56,375
Other liabilities	—		64,762	121,460	186,222
Derivative financial instruments	—		—	65,819	65,819
Obligations under repurchase and forward arrangements	—		173,609	—	173,609
Due to intermediate holding company	—		—	2,498	2,498
Due to subsidiaries	—		—	245,223	245,223
Due to fellow subsidiaries	—		—	19,041	19,041
Due to related companies	—		—	1,604	1,604
<b>Total financial liabilities</b>	<b>—</b>		<b>238,371</b>	<b>512,020</b>	<b>750,391</b>
<b>Insurance and reinsurance contract liabilities</b>					
Insurance contract liabilities					13,856,243
Reinsurance contract liabilities					141,686
<b>Total insurance and reinsurance contract liabilities</b>					<b>13,997,929</b>

**28 RISK MANAGEMENT** (continued)

**Interest rate risk** (continued)

US\$'000	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
<b>31 December 2022 (Restated)</b>				
Financial assets				
Debt securities	465,197	9,849,085	—	10,314,282
Cash and cash equivalents	225,805	—	—	225,805
Loans and deposits	—	6,431	—	6,431
Equity securities	—	—	76,098	76,098
Interests in investment funds	—	—	4,355,591	4,355,591
Derivative financial instruments	—	—	62,064	62,064
Accrued investment income	—	—	112,685	112,685
Other assets	—	—	28,591	28,591
Due from an immediate holding company	—	—	5	5
Due from subsidiaries	—	—	14,072	14,072
Due from fellow subsidiaries	—	—	28,126	28,126
Due from related companies	—	—	3,758	3,758
<b>Total financial assets</b>	<b>691,002</b>	<b>9,855,516</b>	<b>4,680,990</b>	<b>15,227,508</b>
Insurance and reinsurance contract assets				
Insurance contract assets				39,786
Reinsurance contract assets				379,494
<b>Total insurance and reinsurance contract assets</b>				<b>419,280</b>
Financial liabilities				
Investment contract liabilities	—	—	112,134	112,134
Other liabilities	—	53,864	171,320	225,184
Derivative financial instruments	—	—	18,089	18,089
Obligations under repurchase and forward arrangements	—	399,790	—	399,790
Due to intermediate holding company	—	—	1,213	1,213
Due to subsidiaries	—	—	238,808	238,808
Due to fellow subsidiaries	—	—	30,674	30,674
Due to related companies	—	—	1,987	1,987
<b>Total financial liabilities</b>	<b>—</b>	<b>453,654</b>	<b>574,225</b>	<b>1,027,879</b>
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				12,837,719
Reinsurance contract liabilities				350,600
<b>Total insurance and reinsurance contract liabilities</b>				<b>13,188,319</b>

**28 RISK MANAGEMENT** (continued)

**Interest rate risk** (continued)

The analysis below illustrates the sensitivity of shareholders' equity to changes in interest rates. The analysis illustrates the impact of changing interest rates in isolation, and does not quantify potential impacts arising from changes in other assumptions.

US\$'000	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on CSM
<b>31 December 2023</b>			
+50 basis points shift in yield curves			
Insurance contracts held	13,453	360,532	23,982
Reinsurance contracts	717	9,862	(961)
Financial instruments	(29,427)	(471,396)	—
<b>Total</b>	<b>(15,257)</b>	<b>(101,002)</b>	<b>23,021</b>
- 50 basis points shift in yield curves			
Insurance contracts held	(41,524)	(381,694)	(46,797)
Reinsurance contracts	(943)	(9,818)	1,215
Financial instruments	33,222	518,353	—
<b>Total</b>	<b>(9,245)</b>	<b>126,841</b>	<b>(45,582)</b>
<b>31 December 2022 (Restated)</b>			
+50 basis points shift in yield curves			
Insurance contracts held	(9,785)	334,317	56,677
Reinsurance contracts	279	11,607	(677)
Financial instruments	(9,924)	(445,425)	—
<b>Total</b>	<b>(19,430)</b>	<b>(99,501)</b>	<b>56,000</b>
- 50 basis points shift in yield curves			
Insurance contracts held	(5,536)	(352,559)	(80,750)
Reinsurance contracts	37	(13,419)	388
Financial instruments	10,562	486,089	—
<b>Total</b>	<b>5,063</b>	<b>120,111</b>	<b>(80,362)</b>

**28 RISK MANAGEMENT** (continued)

**Equity price risk**

The Company's equity price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in market prices.

The Company manages these risks by setting and monitoring investment limits by asset types and sectors. The Company's principal price risk relates to movement in the fair value of its equity securities and interest in investment funds.

Equity price risk is managed through the selection process of equity funds and portfolio criteria for segregated equity mandates, which includes tracking errors based on benchmarks or specific concentration limits. Lower exposure limits are set for each private equity investment to manage concentration risk with the consideration of liquidity in nature.

The analysis below illustrates the estimated impact on profits and shareholders' equity arising from a change in a single variable before taking into account the effects of taxation.

US\$'000	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on CSM
<b>31 December 2023</b>			
10 per cent increase in equity prices			
Insurance contracts	(390,696)	(19)	105,799
Reinsurance contracts	(91)	(7)	91
Financial instruments	439,124	—	—
	<u>48,337</u>	<u>(26)</u>	<u>105,890</u>
10 per cent decrease in equity prices			
Insurance contracts	376,894	26	(97,174)
Reinsurance contracts	159	7	(159)
Financial instruments	(439,124)	—	—
	<u>(62,071)</u>	<u>33</u>	<u>(97,333)</u>
<b>31 December 2022 (Restated)</b>			
10 per cent increase in equity prices			
Insurance contracts	(334,169)	(20)	47,414
Reinsurance contracts	(347)	39	347
Financial instruments	390,408	—	—
	<u>55,892</u>	<u>19</u>	<u>47,761</u>
10 per cent decrease in equity prices			
Insurance contracts	324,755	27	(46,634)
Reinsurance contracts	572	(25)	(572)
Financial instruments	(390,408)	—	—
	<u>(65,081)</u>	<u>2</u>	<u>(47,206)</u>

## 28 RISK MANAGEMENT (continued)

### Foreign exchange rate risk

The Company's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which serves to mitigate the foreign currency exchange risk arising from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The level of currency risk the Company accepts is managed and monitored by the Asset and Liability Management Committee of the Company, through regular monitoring of currencies position of financial assets and insurance and investment contracts.

The Company's financial assets and liabilities are primarily denominated in United States dollars and Hong Kong dollars, for which the exchange rates have remained stable for the years ended 31 December 2023 and 2022.

At 31 December 2023, assets denominated in United States dollars and Hong Kong dollars accounted for 76% (2022: 87%) and 17% (2022: 7%) of the Company's total assets, respectively, and liabilities denominated in United States dollars and Hong Kong dollars accounted for 72% (2022: 73%) and 22% (2022: 27%) of the Company's total liabilities respectively. The Company has more United States dollar denominated assets than it has corresponding United States dollar denominated liabilities due to the much deeper pool of investment assets available in United States dollars. As a result, some of the United States dollar denominated assets are used to back Hong Kong dollar denominated liabilities. This currency mismatch is then hedged, using forward currency contracts, to reduce the foreign exchange rate risk.

### Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet payment obligations when they become due. The Company is exposed to liquidity risk in respect of insurance contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions.

To manage liquidity risk the Company has implemented a variety of measures, with an emphasis on flexible insurance product design, so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Company also seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of its insurance contracts. The Company performs regular monitoring of its liquidity position through cash flow projections.

The table below summarises financial assets and liabilities of the Company into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities or expected repayment dates. Most of the Company's assets are used to support its insurance contract liabilities. Refer to Note 13 for additional information on the Company's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

**28 RISK MANAGEMENT** (continued)

**Liquidity risk** (continued)

31 December 2023

US\$'000	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
<b>Financial and insurance contract assets</b>								
Fair value through OCI debt securities	9,810,514	194,388	202,881	614,437	448,282	209,143	8,141,383	—
Fair value through profit or loss	5,504,286	25,523	12,912	9,268	149,727	—	446,719	4,860,137
Loans and deposits	5,222	683	1,101	941	66	—	2,431	—
Derivatives financial instruments	27,450	7,161	8,396	608	—	—	11,285	—
Insurance contract asset (estimated PV of future cash flow)	93,030	7,908	4,598	3,820	3,360	2,967	70,377	—
Reinsurance contract asset (estimated PV of future cash flow)	301,818	265,628	4,116	2,776	2,205	1,914	25,179	—
Other assets	224,002	216,785	354	1,313	1,050	4,047	453	—
Cash and cash equivalents	352,777	352,777	—	—	—	—	—	—
<b>Total</b>	<b>16,319,099</b>	<b>1,070,853</b>	<b>234,358</b>	<b>633,163</b>	<b>604,690</b>	<b>218,071</b>	<b>8,697,827</b>	<b>4,860,137</b>
<b>Financial and insurance contract liabilities</b>								
Insurance contract liabilities (estimated PV of future cash flow)	(12,132,798)	(1,134,484)	(592,474)	(492,272)	(432,988)	(382,468)	(9,098,112)	—
Reinsurance contract liabilities (estimated PV of future cash flow)	(213,860)	(188,217)	(2,917)	(1,967)	(1,563)	(1,356)	(17,840)	—
Investment contract liabilities	(56,375)	—	—	—	—	—	(56,375)	—
Derivative financial instruments	(65,819)	(45,353)	(3,730)	(3,454)	(3,162)	(3,846)	(6,274)	—
Other liabilities	(563,435)	(563,435)	—	—	—	—	—	—
Lease liabilities	(64,762)	(17,083)	(17,946)	(14,753)	(12,223)	(1,396)	(1,361)	—
<b>Total</b>	<b>(13,097,049)</b>	<b>(1,948,572)</b>	<b>(617,067)</b>	<b>(512,446)</b>	<b>(449,936)</b>	<b>(389,066)</b>	<b>(9,179,962)</b>	<b>—</b>

31 December 2022 (Restated)

US\$'000	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
<b>Financial and insurance contract assets</b>								
Fair value through OCI debt securities	9,670,265	457,028	147,483	421,340	677,971	555,392	7,411,051	—
Fair value through profit or loss	5,075,706	88,255	13,424	12,806	9,102	154,251	366,179	4,431,689
Loans and deposits	6,431	562	1,542	1,334	880	—	2,113	—
Derivatives financial instruments	62,064	40,378	9,569	6,926	—	—	5,191	—
Insurance contract asset (estimated PV of future cash flow)	52,024	(22,269)	3,245	3,351	3,221	3,303	61,173	—
Reinsurance contract asset (estimated PV of future cash flow)	337,125	720,163	(46,176)	(63,524)	(35,962)	(21,119)	(216,257)	—
Other assets	187,237	181,459	2,375	3,068	333	1	1	—
Cash and cash equivalents	225,805	225,805	—	—	—	—	—	—
<b>Total</b>	<b>15,616,657</b>	<b>1,691,381</b>	<b>131,462</b>	<b>385,301</b>	<b>655,545</b>	<b>691,828</b>	<b>7,629,451</b>	<b>4,431,689</b>
<b>Financial and insurance contract liabilities</b>								
Insurance contract liabilities (estimated PV of future cash flow)	(11,170,737)	(636,487)	(460,139)	(475,115)	(456,722)	(468,402)	(8,673,872)	—
Reinsurance contract liabilities (estimated PV of future cash flow)	(395,404)	(844,657)	54,158	74,506	42,179	24,770	253,640	—
Investment contract liabilities	(112,134)	—	—	—	—	—	(112,134)	—
Derivative financial instruments	(18,089)	(11,359)	(214)	—	(132)	—	(6,384)	—
Other liabilities	(843,792)	(843,792)	—	—	—	—	—	—
Lease liabilities	(53,864)	(15,559)	(10,765)	(10,426)	(9,062)	(8,052)	—	—
<b>Total</b>	<b>(12,594,020)</b>	<b>(2,351,854)</b>	<b>(416,960)</b>	<b>(411,035)</b>	<b>(423,737)</b>	<b>(451,684)</b>	<b>(8,538,750)</b>	<b>—</b>

The amounts payable on demand in the insurance contract liabilities represent the policyholders' account values of US\$11,387,509,000 (2022: US\$10,931,974,000).

## 28 RISK MANAGEMENT (continued)

### Capital Management

The Company's capital management objective is focused on maintaining a strong capital base to safeguard the Company's ability to continue as a going concern in view of its risk exposures, to support the development of the business, maximise shareholders' value and to ensure that the Company complies with regulatory capital requirements.

The Company determines its internal capital target with considerations of the regulatory capital requirements, the Company strategic planning and the capital buffer to maintain in view of the various risk exposures. Capital risk metrics and thresholds are established within the Company risk appetite, by which the risk ratings on the Company solvency is regularly assessed. The risk ratings are reported in the risk dashboard delivered to the board and senior executives. Sensitivity testing on current and projected capital position under adverse scenarios are performed annually and oversight by the board and senior executives.

The Company complied with all regulatory capital requirements during the year. The Company's insurance regulator is the Insurance Authority (the "IA") which requires that the Company determine the Prescribed Capital Requirement ("PCR") under HKRBC, which supersedes the prior regulatory capital requirements by the Insurance Ordinance (the "Ordinance") upon early adoption of HKRBC. The IA requires the Company to maintain an excess of assets over liabilities of not less than the required PCR level which is 100 per cent of overall PCR. On top of the PCR, the Company is required to maintain an additional buffer of 50 per cent of PCR under early adoption of HKRBC, and may be subject to more intense supervisory monitoring if the excess of assets over liabilities is less than 150 per cent of PCR. The Company complied with all the regulatory capital requirements throughout both years 2023 and 2022.

The required margin of solvency is determined by the Company's appointed actuary who lead the actuarial function. The actuarial function plays a key role in capital management in addition to its ordinary function of actuarial valuations, pricing and asset & liability management.

## 29 EVENTS AFTER REPORTING YEAR

On 8 March 2024, the Company issued 26,290,600 ordinary shares of US\$1 each to FWD Management Holdings Limited, with a total consideration of US\$ 26,290,600.

On 8 March 2024, the Company further acquired 21% shareholding of FWD Takaful Berhad, a subsidiary of the Company with a total consideration of US\$26,290,600. After the completion of acquisition, the percentage of ownership interest in FWD Takaful Berhad increased from 49% to 70%.

## 30 COMPARATIVE AMOUNTS

As further explained in Note 2.1 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and disclosures and accounting treatment, and a statement of financial position as at 1 January 2022 has been presented.

## 31 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2024.