

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED
(formerly known as FTLife Insurance Company Limited)
(incorporated in Bermuda with limited liability)

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2024

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

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CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of Chow Tai Fook Life Insurance Company Limited (formerly known as “FTLife Insurance Company Limited”) (the “Company”) and its subsidiaries (together the “Group”) for the year ended 30 June 2024.

On 18 June 2024, the Company’s name was changed from FTLife Insurance Company Limited to Chow Tai Fook Life Insurance Company Limited.

Principal place of business

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981 (as amended) (“Companies Act”) on 27 June 1985. The Company’s principal place of business in Hong Kong is located at 15/F NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Principal activities

The Group’s principal activities consist of life insurance business and investment holding. The Group does not carry on insurance business relating to liabilities or risks in respect of which persons are required by any ordinance to be insured.

The Company’s principal activities consist of life insurance business, other related business and investment holding. The activities of the subsidiaries are set out in note 32 to the financial statements.

Results and dividends

The Group’s profit for the year ended 30 June 2024 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 8 to 134.

No interim dividend was paid during the year in respect of all ordinary shares to the sole shareholder of the Company. The directors do not recommend the payment of any final dividend for the year in respect of all ordinary shares issued to the sole shareholder of the Company.

The directors also do not recommend the payment of any dividend for the year in respect of all Class C redeemable preference shares issued to the sole shareholder.

On 28 June 2024, the Company executed an undertaking under which it will obtain prior written consent from the Insurance Authority before making any declaration or payment of any dividend to the Company’s shareholder(s) or effecting any reduction, buyback or redemption of issued share capital of the Company.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 11 to the financial statements.

Share capital

Details of movements in the Company’s share capital during the year are set out in note 25 to the financial statements.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and consolidated statement of changes in equity, respectively.

Charitable contributions

During the year, the Group made charitable contributions of HK\$765,000 (2023: HK\$160,000).

Directors

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

CHENG Kar Shun	(appointed on 1 January 2024)
IP Man Kit	
CHENG Chi Ming Brian	(appointed on 1 January 2024)
HO Gilbert Chi Hang	(appointed on 1 January 2024)
Cyril Hamilton WHITTER	
CHAN Yiu Fai	
CHENG Chi Kong	(resigned on 1 January 2024)
MA Siu Cheung	(resigned on 1 January 2024)

Independent Non-Executive Directors:

CHAN Ka Lok	
NG Chi Shing Bartholomew	
LEE Yiu Kwong Alan	(appointed on 1 January 2024)
Stuart Hamilton LECKIE	(resigned on 1 January 2024)

In accordance with bye-law 74 of the Company's memorandum of association and bye-laws, the number of directors shall be such number not less than two as the Company by resolution may from time to time determine. Subject to the Companies Act and the Company's memorandum of association and bye-laws, the Company's directors shall serve until re-elected or their successors are appointed at the next annual general meeting of the Company.

Indemnity of directors

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' rights to acquire shares and debentures

At no time during the year was the Company or any of its 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, or contracts

Details of material related party transactions are disclosed in note 30 to the financial statements. Save as disclosed, no transaction, arrangement, or contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

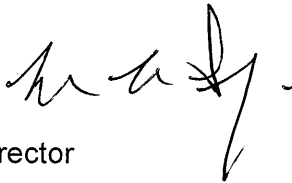
CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Director

Hong Kong, 20 September 2024

Independent Auditor's Report

To the Member of Chow Tai Fook Life Insurance Company Limited
(formerly known as FTLife Insurance Company Limited)
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Chow Tai Fook Life Insurance Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 8 to 134, comprise:

- the consolidated statement of financial position as at 30 June 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.



Independent Auditor's Report

To the Member of Chow Tai Fook Life Insurance Company Limited
(formerly known as FTLife Insurance Company Limited)
(incorporated in Bermuda with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

To the Member of Chow Tai Fook Life Insurance Company Limited
(formerly known as FTLife Insurance Company Limited)
(incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



羅兵咸永道

Independent Auditor's Report

To the Member of Chow Tai Fook Life Insurance Company Limited
(formerly known as FTLife Insurance Company Limited)
(incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with the 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.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 September 2024

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Insurance revenue	4, 19	3,246,501	2,696,614
Insurance service expenses	8, 19	(2,508,033)	(1,928,325)
Net income/(expenses) from reinsurance contracts held	19	79,940	(21,524)
Insurance service result		818,408	746,765
Interest income	5	2,822,184	2,198,023
Dividend and other investment income	5	391,085	337,059
Net realised and unrealised losses	5	(962,356)	(1,949,556)
Net impairment loss on financial assets	5	(107,851)	(259,484)
Investment return	5	2,143,062	326,042
Finance (expenses)/income from insurance contracts issued	5	(1,455,488)	189,284
Finance income/(expenses) from reinsurance contracts held	5	110	(8,076)
Movement in investment contract liabilities	5	(372,596)	(176,763)
Net investment result		315,088	330,487
Fee and commission income	6	238,067	210,412
Other operating expenses	8	(150,022)	(155,673)
Other finance costs	7	(41,383)	(101,658)
Profit before income tax		1,180,158	1,030,333

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Profit before income tax		1,180,158	1,030,333
		-----	-----
Income tax expense	10	(108,894)	(177,154)
		-----	-----
Profit for the year		1,071,264	853,179
		=====	=====
Other comprehensive loss for the year:			
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges: net movement in the hedging reserve	17	(2,221)	(9,967)
- Debt instruments at FVOCI: net fair value changes recorded in the FVOCI reserve (recycling)		5,619	(311,785)
- Net finance expenses from insurance contracts	5	(26,672)	(129,787)
- Net finance income from reinsurance contracts held	5	5,476	13,883
		-----	-----
		(17,798)	(437,656)
		-----	-----
Items that will not be reclassified subsequently to profit or loss:			
- Equity instruments at FVOCI: net fair value changes recorded in the FVOCI reserve (non-recycling)	16	(225,360)	(183,122)
		-----	-----
		(225,360)	(183,122)
		-----	-----
Other comprehensive loss for the year		(243,158)	(620,778)
		-----	-----
Total comprehensive income for the year		828,106	232,401
		=====	=====

The notes on pages 16 to 134 form part of these financial statements.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

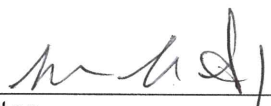
	Note	As at 30 June 2024 HK\$'000	As at 30 June 2023 HK\$'000 (Restated)	As at 1 July 2022 HK\$'000 (Restated)
Assets				
Property, plant and equipment	11	233,110	370,491	447,335
Investment properties	12	681,600	707,600	688,879
Intangible assets	13	194,210	159,679	157,035
Insurance contract assets	19	548,270	302,739	1,202,451
Reinsurance contract assets	19	254,430	116,819	140,286
Prepayments, deposits and other debtors	14	491,916	387,252	408,495
Loans to agents	15	19,921	38,647	99,645
Debt securities at amortised cost	16	1,093,727	-	-
Financial investments at FVOCI	16	11,334,199	10,396,308	11,078,143
Financial investments at FVPL	16	57,353,599	50,194,967	37,635,425
Investments related to unit-linked contracts	20	9,041,310	8,940,135	8,649,161
Derivative financial instruments	17	52,838	30,181	64,475
Cash and cash equivalents	21	6,331,281	6,328,123	5,591,137
Total assets		87,630,411	77,972,941	66,162,467
Liabilities				
Insurance contract liabilities	19	64,618,152	55,584,653	42,266,689
Reinsurance contract liabilities	19	5,189	17,055	112,906
Investment contract liabilities	20	3,581,667	3,724,703	3,818,787
Derivative financial instruments	17	50,662	15,988	13,705
Interest-bearing liabilities	22	524,188	567,928	2,241,014
Accrued expenses and other creditors	23	603,696	696,686	664,825
Current tax liabilities		182,145	204,364	116,992
Total liabilities		69,565,699	60,811,377	49,234,918

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2024**

	Note	As at 30 June 2024 HK\$'000	As at 30 June 2023 HK\$'000 (Restated)	As at 1 July 2022 HK\$'000 (Restated)
Equity				
Issued capital	25	4,085,700	4,085,700	4,085,700
Reserves		13,979,012	13,075,864	12,841,849
Total equity		<u>18,064,712</u>	<u>17,161,564</u>	<u>16,927,549</u>
Total liabilities and equity		<u>87,630,411</u>	<u>77,972,941</u>	<u>66,162,467</u>

Approved and authorised for issue by the board of directors on 20 September 2024.



Director
Signed on behalf of the Board.



Director

The notes on pages 16 to 134 form part of this financial statements.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2024**

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Capital contribution reserve HK\$'000	Hedging reserve HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI Reserve (recycling) HK\$'000	FVOCI reserve (non- recycling) HK\$'000	Insurance finance reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 30 June 2022, previously stated	4,085,700	1,862,664*	1,294,135*	20,615*	-*	61,535*	2,435,545*	(6,470,452)*	(603,078)*	-	9,228,918*	11,915,582
Adoption of HKFRS 17 (note 2.2, 2.4(a)(ix))	-	-	-	-	-	(49,013)	(2,435,545)	4,355,727	360,612	-	2,780,186	5,011,967
At 1 July 2022, restated	4,085,700	1,862,664	1,294,135	20,615	-	12,522	-	(2,114,725)	(242,466)	-	12,009,104	16,927,549
Changes in equity for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	853,179	853,179
Other comprehensive (loss)/income or the year	-	-	-	-	-	(9,967)	-	(311,785)	(183,122)	(115,904)	-	(620,778)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(9,967)	-	(311,785)	(183,122)	(115,904)	853,179	232,401
Transfer upon disposal of equities at FVOCI	-	-	-	-	-	-	-	-	38,327	-	(38,327)	-
Recognition of equity-settled share-based payments	-	-	-	-	1,614	-	-	-	-	-	-	1,614
As at 30 June 2023 (Restated)	4,085,700	1,862,664*	1,294,135*	20,615*	1,614*	2,555*	-	(2,426,510)*	(387,261)*	(115,904)*	12,823,956*	17,161,564

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Capital contribution reserve HK\$'000	Hedging reserve HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI Reserve (recycling) HK\$'000	FVOCI reserve (non- recycling) HK\$'000	Insurance finance reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 30 June 2023, restated	4,085,700	1,862,664*	1,294,135*	20,615*	1,614*	2,555*	-*	(2,426,510)*	(387,261)*	(115,904)	12,823,956*	17,161,564
Redesignation of financial assets (note 2.4(a)(xii))	-	-	-	-	-	-	-	926,593	96,000	-	(948,970)	73,623
As at 1 July 2023, restated	4,085,700	1,862,664	1,294,135	20,615	1,614	2,555	-	(1,499,917)	(291,261)	(115,904)	11,874,986	17,235,187
Changes in equity for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,071,264	1,071,264
Other comprehensive (loss)/income or the year	-	-	-	-	-	(2,221)	-	5,619	(225,360)	(21,196)	-	(243,158)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(2,221)	-	5,619	(225,360)	(21,196)	1,071,264	828,106
Transfer upon disposal of equities at FVOCI	-	-	-	-	-	-	-	-	4,526	-	(4,526)	-
Recognition of equity- settled share-based payments	-	-	-	-	1,419	-	-	-	-	-	-	1,419
As at 30 June 2024	4,085,700	1,862,664*	1,294,135*	20,615*	3,033*	334*	-*	(1,494,298)*	(512,095)*	(137,100)*	12,941,724*	18,064,712

* These reserve amounts comprised the consolidated reserves of HK\$13,979,012,000 (2023: HK\$13,075,864,000) in the consolidated statement of financial position.

The notes on pages 16 to 134 form part of this financial statements.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Cash flows from operating activities			
Profit before income tax		1,180,158	1,030,332
Adjustments for:			
Changes in insurance contract assets/liabilities	19	8,761,296	14,087,889
Changes in reinsurance contract held assets/liabilities	19	(144,001)	(58,501)
Changes in investment contract liabilities	20	(143,036)	(94,084)
Net realised and unrealised loss on investments	5	1,573,015	2,105,893
Net impairment losses	5	107,851	259,484
Net gain on unit-linked investments	5	(641,184)	(189,020)
Interest income	5	(2,822,184)	(2,198,023)
Dividend income	5	(391,085)	(380,774)
Interest expense	7	41,383	101,658
Net fair value loss/(gain) on investment properties	12	26,000	(18,721)
Proceeds from disposal of financial investments		40,676,620	22,098,097
Purchases of financial investments		(51,348,876)	(36,653,858)
Proceeds from disposal of unit-linked investments		5,682,109	4,181,108
Purchases of unit-linked investments		(5,258,877)	(4,269,846)
Depreciation of property, plant and equipment	11	142,605	151,761
Amortisation of intangible assets	13	73,914	63,227
Other adjustments for non-cash items		59,362	1,746
Changes in other working capital balances:			
- Decrease in loans to agents		5,314	31,399
- Increase in accrued expenses and other creditors		34,900	86,303
- Decrease in cash collateral received from counterparties		(4,447)	(26,869)
- (Increase)/decrease in prepayments, deposits and other debtors		(69,829)	1,326
Interests received		2,533,960	2,123,382
Dividends received		450,766	388,675
Interests paid		(41,981)	(122,460)
Tax paid		(131,113)	(89,782)
Net cash inflow/(outflow) from operating activities		352,640	2,610,342
Cash flows from investing activities			
Purchases of property, plant and equipment	11	(35,215)	(31,515)
Purchases of intangible assets	13	(111,873)	(65,871)
Net cash used in investing activities		(147,088)	(97,386)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024**

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Cash flows from financing activities			
Interest paid		(42,744)	(32,221)
Proceeds from interest-bearing liabilities		-	352,839
Repayment of interest-bearing liabilities		(39,293)	(1,999,056)
Capital element of lease liabilities paid		(112,847)	(109,061)
		(194,884)	(1,787,499)
Net cash generated used in financing activities		(194,884)	(1,787,499)
Net increase in cash and cash equivalents		10,668	725,457
Cash and cash equivalents at beginning of year		6,343,878	5,618,421
Cash and cash equivalents at end of year		6,354,546	6,343,878
Analysis of balances of cash and cash equivalents			
Cash and bank balances	21	4,037,490	5,017,334
Non-pledged time deposits with original maturity of less than three months	21	2,293,791	1,310,789
		6,331,281	6,328,123
Cash balance included in investments related to unit-linked contracts	20	23,265	15,755
		6,354,546	6,343,878

The notes on pages 16 to 134 form part of this financial statements.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate statements

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981 (as amended) on 27 June 1985. The Company's principal place of business in Hong Kong is located at 15/F NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Company has been principally engaged in the provision of an extensive range of whole life, endowment, unit-linked and term life insurance products to individuals in Hong Kong as well as other insurance products which included accident, medical and disability insurance, to individuals, and employee groups. The Company does not accept reinsurance inward business.

In the opinion of the directors, the immediate holding company of the Company is EARNING STAR LIMITED which is incorporated in Hong Kong. The intermediate holding company of the Company is NWS Holdings Limited which is incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. With effect from the close of business on 17 November 2023, Chow Tai Fook Capital Limited, which is incorporated in the British Virgin Islands, has become the ultimate holding company of the Company.

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures

2.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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. They have been prepared on the historical cost convention, except for investment properties and certain financial instruments measured at fair value, insurance contracts issued and reinsurance contracts held measured on a current value basis as explained in note 2.4(a) and note 3.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current reporting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current reporting period reflected in these consolidated financial statements. Note 2.3 provides information on revised and new accounting standards and interpretations issued but not yet effective for the current reporting period.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.2 Impact of amendments, new standards, interpretations issued and effective for the year ended 30 June 2024

New and revised HKASs and HKFRSs applied for the financial year ended 30 June 2024

For the financial year ended 30 June 2024, the Group has applied HKFRS 17, Insurance Contracts, which replaces HKFRS 4 Insurance Contracts issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) to these consolidated financial statements.

HKFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Under HKFRS 17, measurement of insurance contracts are based on the estimates of the present value of future cash flows with a risk adjustment (the fulfilment cash flows) and the contractual service margin (“CSM”). The fulfilment cash flows are the current estimates of the future cash flows that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The CSM represents the estimate of unearned profits of the insurance contracts, and is systematically recognised in insurance revenue based on the services provided over the coverage period of the insurance contract.

Details of the changes in accounting policies and critical accounting estimates and judgements are set out in notes 2.4 and 3 respectively.

The following relevant new amendments to standards have been adopted for the first time for the financial year ended 30 June 2024 and have no material impact to the Group.

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

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17 "Insurance Contracts" ("HKFRS 17"), which are not yet effective for the financial year ended 30 June 2024 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current (2020 Amendments), Non-current Liabilities with Covenants (2022 Amendments) and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21, Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7, Amendments to Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has assessed the impact of these new amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held

Summary of measurement approaches

The Group uses different measurement approaches, depending on the type of contract, as follows:

Contracts issued	Accounting classification	Measurement model
Traditional life and annuities participating contracts	Insurance contracts or Investment contracts with DPF	Variable Fee Approach (VFA)
Traditional life non-participating contracts and protection products	Insurance contracts	General Measurement Model (GMM) or Premium Allocation Approach (PAA)
Universal life contracts	Insurance contracts	GMM
Unit linked insurance contracts	Insurance contracts	VFA
Unit linked investment contracts without DPF	Investment contracts without DPF	Financial liabilities measured at FVPL under HKFRS 9
Reinsurance contracts held		
Reinsurance contracts	Reinsurance contracts held	GMM or PAA

The Group does not have any reinsurance contracts issued to compensate another entity for claims arising from one or more insurance contracts issued by that other entity.

(i) Definition and classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Group also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variables.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(i) Definition and classification (Continued)

Contracts that have a legal form of insurance but do not transfer significant insurance risk are classified as investment contracts.

Some investment contracts issued by the Group contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under HKFRS 17. Other investment contracts (i.e. investment contracts without DPF) are accounted for under HKFRS 9.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers significant insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-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 portfolio.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(ii) Fulfilment cash flows within contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some marketing cost relates to advertising the brand of the Group and training costs, are recognised in other operating expenses as incurred.

Contract boundaries

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Insurance contracts

Cash flows are within the boundary of an insurance contract if they arise from the substantive rights and obligations that exist during the reporting period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation ends when:

- a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b. both of the following criteria are satisfied:
 - the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- 2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)**
- 2.4 Summary of material accounting policies (Continued)**
- (a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)**

(iii) Insurance acquisition cash flows

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

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

(iv) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

(v) Initial measurement – groups of contracts not measured under PAA

On initial recognition, the Group measures a group of contracts as the sum of: (a) the fulfillment cash flows, which include estimates of future cash flows, an adjustment to reflect time value of money, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

Contractual Service Margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.

On initial recognition of a group of contracts, if the total of the fulfillment cash flows, any cash flows arising at that date and 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) 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.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(vi) Subsequent measurement – groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfillment cash flows related to future service allocated to the group at that date and (b) the CSM of the group at that date. The LIC includes the fulfillment cash flows related to incurred claims and expenses that have not yet been paid and allocated to the group at the reporting date.

The fulfillment cash flows are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows, of discount rates and of non-financial risk.

Changes in fulfillment cash flows are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognised in insurance service result in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC.
- effects of the time value of money, financial risk and changes on estimated future cash flows are recognised as insurance finance income or expenses, and adjusted the CSM (for insurance contracts with direct participation features).

Insurance contracts without direct participation features

At the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- the effect of any new contracts added to the group during the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfillment cash flows exceed the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC;
 - any decreases in the fulfillment cash flows adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the fulfillment cash flows over the loss component reduces the loss component to zero and reinstates the CSM.
- the effect of any currency exchange differences; and
- the amount recognised as insurance revenue for service provided in the period.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(vi) Subsequent measurement – groups of contracts not measured under the PAA (Continued)

The following adjustments relate to future service and thus adjust the CSM:

- experience adjustments – arising from premiums received in the period that relate to future service and related cash flows, measured using discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured using discount rates determined on initial recognition, except those described in the following paragraph;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable;
- differences between any loan to a policyholder expected to become repayable in the period and the actual loan to a policyholder that becomes repayable in the period. Those differences are determined by comparing (i) the actual loan to a policyholder that becomes repayable in the period with (ii) the repayment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and
- changes in the risk adjustment for non-financial risk that relate to future service.

Insurance contracts with direct participation features

Contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for future service.

When measuring a group of contracts with direct participation features, the Group adjusts the fulfillment cashflows for the changes in obligation to pay policyholders an amount equal to the changes in the amount of the policyholder's share of the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(vi) Subsequent measurement – groups of contracts not measured under the PAA (Continued)

At the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- the effect of any new contracts added to the group during the period;
- changes in fulfillment cash flows that relate to future services, except to the extent that:
 - a decrease in the amount of the Group's share of the fair value of the underlying items, or any increase in the fulfillment cash flows exceed the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC;
 - an increase in the amount of the Group's share of the fair value of the underlying items, or any decrease in the fulfillment cash flows adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any increase in the amount of the Group's share of the fair value of the underlying items and decrease in the fulfillment cash flows over the loss component reduces the loss component to zero and reinstates the CSM.
- the effect of any currency exchange differences; and
- the amount recognised as insurance revenue for service provided in the period.

Changes in the fulfillment cash flows not varying based on the returns of underlying items include:

- changes in the effect of the time value of money and financial risks including the effect of financial guarantees; and
- changes that are related to the future service specified above for insurance contracts without direct participation features.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- 2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)**
- 2.4 Summary of material accounting policies (Continued)**
- (a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)**

(vii) Initial and subsequent measurement – groups of contracts measured under the PAA

The Group uses the PAA to simplify the measurement of groups of contracts in the following situations:

- the Group reasonably expects that the measurement of LRC would not differ materially from the result of apply accounting policies of contracts not measured under the PAA; or
- where the coverage period of each contract is one year or less.

Initial measurement

On initial recognition, the carrying amount of the LRC is measured as the premiums received at the beginning minus any insurance acquisition cash flows allocated to the group, and adjusted for amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

Subsequent measurement

At each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period;
- increased for the amortisation of insurance acquisition cash flows in the period;
- decreased for insurance acquisition cash flows paid in the period; and
- decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period.

No adjustment for the time value of money is made on groups of contracts measured under the PAA.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(viii) Reinsurance contracts held

The Group applies the same accounting policies as that applied to insurance contracts without DPF, 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 Group 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 represents the amount of risk being transferred by the Group to the reinsurer.

At the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- the effect of any new contracts added to the group in the reporting period;
- interest accreted on the carrying amount of the CSM during the reporting period;
- income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component other than changes in the fulfilment cash flows of the group;
- changes in the fulfilment cash flows that relate to future service, measured at the discount rates determined on initial recognition, unless the change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts;
- the effect of any currency exchange differences; and
- the amount recognised in profit or loss for insurance contract services received during the period.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- 2 **Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)**
- 2.4 **Summary of material accounting policies (Continued)**
- (a) **Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)**

(viii) Reinsurance contracts held (Continued)

The Group adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The adjustment to CSM is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

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

Reinsurance contracts held – Loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

Reinsurance contracts held measured under the PAA

The Group applies the same accounting policy to measure the reinsurance contracts held under PAA, as group of insurance contracts.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- 2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)**
- 2.4 Summary of material accounting policies (Continued)**
- (a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)**

(ix) Transition approaches

The Group adopted HKFRS 17 on 1 July 2023 (i.e. the date of initial adoption) and has applied the full retrospective approach on transition to all contracts issued on or after 1 July 2022 (i.e. the transition date). For contracts issued prior to 1 July 2022, fair value approach was applied as obtaining reasonable and supportable information (e.g. assumptions that would have been made in an earlier period and information is only available at higher levels of aggregation) to apply the full retrospective approach was impracticable without undue cost or effort.

The transition approach was determined at the level of a group of insurance contracts and affected the approach to calculating the CSM on initial adoption of HKFRS 17:

- full retrospective approach – the CSM at initial recognition is based on initial assumptions when groups of contracts were recognised and rolled forward to the date of transition as if HKFRS 17 had always been applied; and
- fair value approach – the pre-transition fulfillment cash flows and experience are not considered.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(ix) Transition approaches (Continued)

Fair value approach

The Group has determined that, for certain groups of contracts, such information was not available or was not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach, and the fair value approach has been used for these groups. The Group applied significant judgement in determining the transition amounts under these approaches.

Applying the fair value approach, the Group determined the CSM to be the difference between the fair value of a group of insurance contracts, and its fulfillment cash flows at the transition date.

The fair value of an insurance liability is the price that a market participant would be willing to receive or pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. A present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

- only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation, excluding future renewals and new business that would be outside the contract boundary of the contracts under HKFRS 17;
- assumptions about expected future cash flows and risk allowances were adjusted for the market participant's view, as required by HKFRS 13; and
- profit margins were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(x) Derecognition and modification

An insurance contract is derecognised when it is:

- extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled; or
- the contract is modified. When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the fulfillment cash flows, unless the conditions for the derecognition of the original contract are met. The Group derecognises the original contract and recognises the modified contract as a new contract.

An insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, by adjusting:

- the fulfillment cash flows to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- the CSM (unless the decrease in the fulfilment cash flows is allocated to the loss component of the LRC of the group) for the change in fulfilment cash flows described in the above paragraph, to the extent required by GMM or VFA; and
- the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units derecognised from the group.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) In Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(xi) Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

The Group disaggregates amounts recognised in the income statement and the statement of comprehensive income 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. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as "net income/(expenses) from reinsurance contracts held". The Group 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 revenue.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

Insurance revenue – insurance contracts not measured under the PAA

As the Group provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period;
- changes in the risk adjustment for non-financial risk relating to current services;
- amounts of the CSM recognised for the services provided in the period;
- Other amounts, including experience adjustments for premium receipts for current or past services; and
- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts. The allocated amount is recognised as insurance revenue with the same amount recognised as insurance service expenses.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- 2 **Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)**
- 2.4 **Summary of material accounting policies (Continued)**
- (a) **Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)**

(xi) Presentation (Continued)

Release of the CSM – insurance contracts not measured under the PAA

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

Insurance revenue – insurance contracts measured under the PAA

For groups of insurance contracts measured under the PAA, the Group allocated the expected premium into insurance revenue based on the (a) passage of time; or (b) the expected timing of the incurred expenses, if the expected pattern of release of risk during the coverage period differs significantly from the pass of time.

Loss component – insurance contracts not measured under PAA

For contracts not measured under the PAA, the Group establishes a loss component of the LRC for onerous group of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component.

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 include the following:

- incurred claims, benefits, and other incurred directly attributable expenses;
- insurance acquisition cash flows amortisation;
- losses on onerous contract or reversals of those losses; and
- changes that relate to past service.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(xi) Presentation (Continued)

Insurance service expenses (Continued)

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above. For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

Net income (expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held based on the allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Group 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 Group expects to pay consideration.

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

For a group of reinsurance contracts held relating to onerous groups of underlying insurance contracts issued, net income (expenses) from reinsurance contracts held also include:

- income on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component other than changes in the fulfillment cash flows of reinsurance contracts held; and
- changes in the fulfillment cash flows of reinsurance contracts held from onerous underlying contracts.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(xi) Presentation (Continued)

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts and reinsurance contracts held arising from the effect of the time value of money and changes in the time value of money, the effect of financial risk and changes in financial risk.

The Group presents insurance finance income or expenses for the insurance contracts measured using the VFA in profit or loss. Such insurance finance income or expenses includes changes of the group of contracts impacted by the changes in the value of underlying items (excluding additions and withdrawals). It therefore has an offsetting impact to investment income earned on underlying assets backing insurance contracts, which include the gain or losses arising on assets measured at fair value through profit or loss and now under the line "Investment return".

For the insurance contracts measured under the GMM, the Group disaggregates total insurance finance income or expenses between profit or loss and other comprehensive income. The systematic allocation is determined as follows:

- Contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders: for insurance finance income or expenses arising from the estimates of future cash flows, using either a rate that allocates the remaining revised expected insurance finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield) or an allocation that is based on the amounts credited in the period and expected to be credited in future periods; and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts. This selection of the rate applied is based on the characteristics of contracts.
- Contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders: the discount rates determined on initial recognition of the group of contracts.

The amount recognised in profit or loss is determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of insurance contracts. Insurance finance income or expenses presented in other comprehensive income, which reflects the effect of changes in discount rates on measurement of these insurance contracts, are accumulated in the insurance finance reserve.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(xii) Redesignation of financial assets

The Group has adopted HKFRS 9 Financial Instruments before 1 July 2023. In accordance with HKFRS 17, the Group has redesignated financial assets backing insurance contracts measured under the VFA to the FVPL category to eliminate accounting mismatch. The Group also redesignated the classification of certain financial assets connected with non-VFA insurance contracts within the scope of HKFRS 17 subsequent to re-assessment of their business model. Classification overlay has been applied on the comparative year's results for those redesignated assets supporting VFA contracts, in order to achieve the same accounting match between the current year and comparative year. The classification overlay is based on how the Group expects the financial assets would be classified at the date of initial application of HKFRS 17.

The following table presents the measurement category and carrying amount of certain financial assets before and after the adoption of HKFRS 17 as at 1 July 2023.

Classification as at 30 June 2023 before adoption of HKFRS 17	Classification as at 1 July 2023 after adoption of HKFRS 17	Note	Carrying amount as at 30 June 2023 before adoption of HKFRS 17 HK\$m	Carrying amount as at 1 July 2023 after adoption of HKFRS 17 HK\$m
FVOCI	FVPL	(a)	33,557	33,557
FVPL	FVOCI	(b)	546	546
FVOCI	AC	(c)	1,020	1,094
AC	FVPL	(d)	6,840	6,950
			41,963	42,147
			41,963	42,147

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(a) Insurance contracts, investment contracts with discretionary participating features (DPF) and reinsurance contracts held (Continued)

(xii) Redesignation of financial assets (Continued)

Notes:

- (a) Debt and equity instruments are reclassified from FVOCI to FVPL category as for eliminating accounting mismatch on connected insurance contract liabilities that is measured under the VFA.
- (b) Equity instrument is reclassified from FVPL to FVOCI category as a result of reassessment of facts and circumstances that exist at 1 July 2023.
- (c) Debt instruments are reclassified from FVOCI to AC category as a result of reassessment on their business model on the basis of facts and circumstances that exist at 1 July 2023.
- (d) Debt instruments are reclassified from AC to FVPL category as for eliminating accounting mismatch on connected insurance contract liabilities that is measured under the VFA.

The overall impact of the initial adoption on retained profits could be reconciled as follows:

	As of 1 July 2023 HK\$'m	As of 1 July 2022 HK\$'m
Retained profits, previously stated	10,589	9,229
Impact of financial asset redesignation	(6,083)	(3,879)
Other impact of adoption of HKFRS 17	7,369	6,659
	11,875	12,009
Retained profits, restated	11,875	12,009

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(b) Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency and Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the profit or loss for the year. The Groups of insurance contracts, including CSM, that generate cash flows in a foreign currency are also treated as monetary items. The differences are taken under "Finance expenses/income from (re)insurance contracts issued/held". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(d) Investment contracts without DPF

Liabilities for investment contracts without DPF are carried at fair values, except for deferred acquisition costs pertaining to those investment contracts and included in the carrying amount of investment contract liabilities.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statements of financial position.

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

The costs of acquiring investment contracts without DPF, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred acquisition costs are tested for recoverability at each reporting date.

(e) Fees and commission income

Policyholders of investment contract without DPF are charged for policy administration services and investment management 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.

(f) Investments and other financial assets

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 18. These investments are subsequently accounted for as follows, depending on their classification.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(f) Investments and other financial assets (Continued)

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost (“AC”), if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- fair value through other comprehensive income (“FVOCI”) (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income and recorded in FVOCI reserve (recycling), except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment and interest income are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and recorded in FVOCI reserve (non-recycling). Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the FVOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the FVOCI reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. For details of the valuation technique employed, please refer to note 18 to the consolidated financial statements.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(g) Credit losses and impairment of financial assets

The Group's financial assets measured at amortised cost, including loans to agents, debt securities, deposits and other debtors, cash and cash equivalents and debt securities at FVOCI (recycling) are subject to expected credit loss model under HKFRS 9.

The Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 26(e) details how the Group determines whether there has been a significant increase in credit risk.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired.

The Group transfers a financial asset if it either:

- transfers the rights to receive the cash flows of the financial asset; or
- retains the rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement.

If the Group transfers substantially all the risks and rewards of ownership of the financial asset or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but transferred control of the financial asset, the Group shall derecognise the financial asset.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(i) Derecognition of financial assets (Continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(j) Derivative financial instruments and hedging

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

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit or loss for the year.

For details for the valuation techniques employed, please refer to note 18 to the consolidated financial statements.

Regarding hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a capitalised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an uncapitalised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(j) Derivative financial instruments and hedging (Continued)

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is capitalised directly in other comprehensive income, while the ineffective portion is capitalised immediately in the profit or loss for the year. Amounts taken to other comprehensive income are transferred to the profit or loss for the year when the hedged transaction affects the profit or loss for the year, such as when hedged financial income or financial expense is capitalised or when a forecast sale or purchase occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously capitalised in other comprehensive income are transferred to the profit or loss for the year. If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously capitalised in other comprehensive income remain in equity until the forecast transaction or firm commitment occurs.

The Group designates certain derivatives as hedges of a particular risk associated with the changes in fair value of capitalised assets or liabilities (fair value hedges). Change in the fair value on hedging instrument is capitalised in other comprehensive income and accumulated in the hedging reserve within equity when the hedged item is an equity instrument for which the Group has elected to presents changes in fair value in other comprehensive income.

(k) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis so as to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(k) Property, plant and equipment and depreciation (Continued)

- Computer equipment 3 to 5 years
- Furniture, fixtures and equipment 5 years or the life of the lease contract,
whichever is shorter
- Vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(l) Investment properties

Property that is held for long-term rental yields and that is not occupied by the Group, is classified as investment property. Investment properties of the Group are principally freehold office buildings and car parks.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs and subsequently remeasured at fair value. Changes in fair values are recognised in profit or loss as part of other income.

(m) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessor

The Group recognised the rental income as other income (see note 2.4(ac)) in the reporting period in which they are incurred.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(m) Leased assets (Continued)

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group account for lease component and non-lease components separately for all leases.

At the lease commencement date, the Group recognise a right-of-use asset and a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group, are primarily laptops, office furniture and property, plant and machinery with lease term of 12 months or less. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases with those leases which are not capitalised are recognised as an expense in the reporting period in which they are incurred.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the reporting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.4(o)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there a change arising from the reassessment of whether the lessee will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statement of financial position, the Group presents right-of-use assets within the same line item as similar underlying assets and presents lease liabilities separately.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(n) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2.4(o)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2.4(o)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- | | |
|---------------------|--------------|
| - Computer software | 3 to 5 years |
|---------------------|--------------|

Both the period and method of amortisation are reviewed annually.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- 2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)**
- 2.4 Summary of material accounting policies (Continued)**
- (o) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, and deferred acquisition costs arising from the contractual rights under insurance contracts, are reviewed at each reporting date to determine whether there is any indication of impairment.

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the profit or loss for the year in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the year in which it arises.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(p) Prepayments

Prepayments made in connection with the recruitment of agents and other intermediaries are capitalised at payment, and amortised to profit or loss of subsequent periods over the term of contracts with agents.

(q) Cash and cash equivalents

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

In the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use and not attributable to investments related to unit-linked contracts.

Cash and cash equivalents are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 2.4(o).

(r) Financial liabilities at amortised cost

Financial liabilities including other payables and interest-bearing notes are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the profit or loss for the year.

Gains and losses are recognised in the profit or loss for the year when the liabilities are derecognised as well as through the amortisation process.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(s) Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss for the year. The net fair value gain or loss recognised in the profit or loss for the year does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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

(t) Derecognition of financial liabilities

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

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

(u) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accrual basis in consolidated statement of comprehensive income as part of finance costs.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(v) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are proposed and declared simultaneously, as the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

(w) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(x) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the profit or loss for the year, or in other comprehensive income or equity if it relates to items that are recognised in the same or a different period directly in other comprehensive income or equity.

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(x) Income tax (Continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, any previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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.

(y) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss for the year.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(z) Interest income

Interest income is recognised on an accrual basis by applying the effective interest rate ("EIR") to the gross carrying amount of financial assets measured at amortised cost or at FVOCI. For credit impaired financial assets, the credit-adjusted EIR is applied. This rate is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of the ECL on estimated future cash flows. Interest income on financial assets at FVPL is recognized on an accrual basis.

(aa) Dividend income

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

(ab) Realised gains and losses on investments

Realised gains and losses on investments are determined as the difference between the sales proceeds and cost or amortised cost. For equity shares and interests in investment funds, the cost is determined by using a weighted average per portfolio.

(ac) Rental income

Rental income from investment properties is recognised on a straight-line basis over the terms of the lease agreements.

(ad) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of material accounting policies (Continued)

(ad) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures as at the reporting date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Measurement of Insurance Contracts not Measured under the PAA

Estimates of future cash flows

The estimates of future cash flows requires the use of appropriate actuarial methodologies and also various economic and operational assumptions. The assumptions used include discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect historical mortality experience, adjusted, where appropriate, to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover by reserves, which in return is monitored against the current and future premiums. Lapse rates are based on the historical experience of the Group. Expenses are based on the renewal compensation cost structure and the maintenance expenses level of the Group.

The estimates of future cash flows are adjusted using discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows.

The bottom-up approach has been primarily adopted for the derivation of discount rates. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free was derived using swap rates available in the market or sovereign bonds denominated in the same currency. Management uses judgement to assess liquidity characteristics of the liability cash flows.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristics of the insurance contracts. For the unobservable period, the yield curve was interpolated between an ultimate rate and the last observable point using generally accepted technique such as the Smith-Wilson method.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates (Continued)

(a) Measurement of Insurance Contracts not Measured under the PAA (Continued)

Estimates of future cash flows (Continued)

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies. To reflect the liquidity characteristics of the insurance contracts, the risk-free spot rates are adjusted by an illiquidity premium.

At 30 Jun 2024

Spot Rates	1 Year		5 Years		10 years		20 years		30 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
HKD	4.56%	4.86%	3.71%	4.40%	3.61%	4.54%	3.70%	4.70%	3.73%	4.72%
USD	5.01%	5.30%	4.28%	4.96%	4.32%	5.24%	4.68%	5.54%	4.45%	5.26%

At 30 Jun 2023

Spot Rates	1 Year		5 Years		10 years		20 years		30 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
HKD	4.82%	5.14%	4.01%	5.03%	3.77%	4.99%	3.81%	5.02%	3.81%	4.93%
USD	5.27%	5.59%	4.04%	5.06%	3.72%	4.95%	4.07%	5.10%	3.72%	4.76%

Assumptions are determined at the date of acquisition, where applicable, and at the initial recognition of the insurance contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed and changes will be reflected in adjustments to the liability.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled.

Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique. The Group estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile over the expected present value of the future cash flows.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates (Continued)

(b) Determining coverage units for recognition of the contractual service margin in revenue

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 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 Group applies judgement in these determinations.

(c) Investment component

The Group identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are excluded from insurance revenue and insurance service expenses. Generally, for relevant contracts, surrender value after deduction of surrender charge would be determined as an investment component.

(d) Product classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance and investment contracts is discussed in more detail in note 2.4(a).

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these are contracts which contain a significant savings component. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates (Continued)

(e) Fair value of financial assets and derivative financial instruments determined using valuation techniques

Fair value, in the absence of a quoted price in an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country-specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

For an option pricing model, before a discounted cash flow analysis is performed, simulations are projected based on historical observation trends as well as current market rates and information that are applicable to the underlying financial instrument.

The carrying values at the reporting date of financial assets, including derivative financial assets, and derivative financial liabilities, measured at fair value, are disclosed in note 18.

(f) Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates (Continued)

(g) Expected credit loss on financial assets

Allowances for expected credit losses are provided for financial assets measured at amortised cost and for debt securities measured at FVOCI (note 2.4(h)). Factors that determine expected credit loss are credit quality, probability of default ("PD"), loss given default ("LGD") and forecast of economic growth factor.

To determine lifetime and 12-month PD, the Group refers to PD tables supplied by Moody's, which are derived based on default history of obligors with the same credit rating. The Group has considered the forward-looking information by incorporated a set of weighted average different economic scenarios developed by Moody's.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD for Stage 1 financial assets based on recovery rates from Moody's recovery study.

(h) Valuation of investment properties

Commercial investment properties are measured at fair value and based on active market prices, adjusted if necessary for any difference in nature, location or condition of the specific asset.

Current economic developments and uncertainties influence the valuation of our investment properties. The methods and significant assumptions applied in determining the fair value of our investment properties are mainly due to active market prices.

These market values are based on valuations by independent external valuation experts. The valuation is based on an open market value, supported by market evidence in which assets can be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the reporting date.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Insurance revenue

	2024 HK\$'000	2023 HK\$'000
Contracts not measured under the PAA (note 19)		
Amounts related to changes in liabilities for remaining coverage		
Contractual service margin recognised for services provided (note 19)	880,660	740,595
Change in risk adjustment for non-financial risk for risk expired	5,742	16,105
Expected incurred claims and other insurance service expenses	1,513,517	1,424,968
Others	71	57
Recovery of insurance acquisition cash flows	676,326	345,387
	3,076,316	2,527,112
Contracts measured under the PAA (note 19)	170,185	169,502
Total insurance revenue	3,246,501	2,696,614
Represented by:		
Contracts under the fair value approach	2,109,219	2,298,527
Other contracts	1,137,282	398,087
	3,246,501	2,696,614

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Net investment result

The net investment result included in consolidated income statement and other comprehensive income for the year consists of the following:

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Interest income	5.1	2,822,184	2,198,023
Dividend and other investment income	5.2	391,085	337,059
Net realised and unrealised losses	5.3	(962,356)	(1,949,556)
Net impairment loss on financial assets	5.4	(107,851)	(259,484)
Investment return recognised in profit or loss		2,143,062	326,042
Net gains/losses recognised in other comprehensive income		(221,962)	(504,874)
Total investment return recognised in total comprehensive income		1,921,100	(178,832)
Changes in fair value of underlying items of contracts with direct participation features		(1,618,620)	109,865
Interest accreted		55,460	26,982
Effect of changes in interest rates and other financial assumptions		(80,994)	(57,285)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		25,162	(33,079)
Net foreign exchange gains		136,832	13,014
Total net finance (expenses)/income from insurance contracts	19	(1,482,160)	59,497
Interest accreted		(11,458)	(10,048)
Effect of changes in interest rates and other financial assumptions		11,877	12,588
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition		(2,067)	2,053
Net foreign exchange gains		1,085	117
Effect of changes in non-performance risk of reinsurers		6,149	1,097
Total net finance income/(expenses) from reinsurance contracts held	19	5,586	5,807
Charges related to investment contracts		(372,596)	(176,763)
Net investment result		71,930	(290,291)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Net investment result (Continued)

	2024 HK\$'000	2023 HK\$'000 (Restated)
Net investment result is presented as:		
Amounts recognised in profit or loss		
- Net investment return	2,143,062	326,042
- Net finance (expense)/income from insurance contracts	(1,455,488)	189,284
- Net finance income/(expenses) from reinsurance contracts held	110	(8,076)
- Charges related to investment contracts	(372,596)	(176,763)
	315,088	330,487
Amounts recognised in other comprehensive income		
- Net investment return	(221,962)	(504,874)
- Net finance (expense)/income from insurance contracts	(26,672)	(129,787)
- Net finance income/(expenses) from reinsurance contracts held	5,476	13,883
	(243,158)	(620,778)
Total net investment result	71,930	(290,291)

5.1 Interest income

	2024 HK\$'000	2023 HK\$'000 (Restated)
Interest income derived from:		
Debt securities at amortised cost		
- listed	48,381	-
Debt securities at FVOCI		
- listed	386,237	456,079
- unlisted	79,319	84,151
Debt securities at FVPL		
- listed	2,159,821	1,570,550
- unlisted	50,990	30,039
Bank deposits and cash balances	95,405	54,302
Loans to agents	2,031	1,472
Others	-	1,430
Total interest income	2,822,184	2,198,023

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Net investment result (Continued)

5.2 Dividend and other investment income

	2024 HK\$'000	2023 HK\$'000 (Restated)
Dividend income from listed investments	212,766	190,490
Dividend income from unlisted investments	150,498	121,652
Rental income from investment properties	21,415	21,069
Rebate income from investments	6,406	3,848
	391,085	337,059
	391,085	337,059

5.3 Net realized and unrealized gains/losses

	2024 HK\$'000	2023 HK\$'000 (Restated)
Net realized and unrealized (losses)/gains on investments:		
Debt securities at amortised cost		
- listed	(3,954)	-
Financial investments at FVOCI		
- listed	(87,832)	6,221
- unlisted	(5,286)	(118)
Financial investments at FVPL		
- listed	(1,762,072)	(1,648,756)
- unlisted	286,129	(463,240)
Net gains on investments related to unit-linked contracts	641,184	260,334
	(931,831)	(1,845,559)
Total net realized and unrealized losses on investments	(931,831)	(1,845,559)
Net fair value (losses)/gains on investment properties	(26,000)	18,721
Other realized and unrealized losses	(4,525)	(122,718)
	(962,356)	(1,949,556)
Total net realized and unrealized losses	(962,356)	(1,949,556)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Net investment result (Continued)

5.4 Impairment losses

Net impairment losses recognised/(reversed) on:

	2024 HK\$'000	2023 HK\$'000 (Restated)
Loans to agents (note 26 (e))	15,443	29,599
Debt securities at FVOCI (note 26 (e))	92,680	227,858
Debt securities at amortised cost (note 26 (e))	(272)	-
Other debtors	-	2,027
	107,851	259,484
	107,851	259,484

6 Fee and commission income

	2024 HK\$'000	2023 HK\$'000 (Restated)
Fee income on investment contracts without DPF	179,038	170,072
Referral fee and commission income from general insurance and Mandatory Provident Fund ("MPF")	4,042	4,504
Others	54,987	35,836
	238,067	210,412
	238,067	210,412

7 Other finance costs

	Note	2024 HK\$'000	2023 HK\$'000
Interest expense on guaranteed bonds	22(a)	-	68,595
Interest expense on secured bank loan	22(c)	20,540	5,205
Net interest expense on cross currency swaps (note 17)		(2,736)	(274)
Interest on financial reinsurance arrangement	22(b)	12,050	13,249
Interest on cash collateral received for derivative instruments (note 17)		1,374	1,116
Interest expense on lease liabilities	22(d)	10,155	13,767
		41,383	101,658
		41,383	101,658

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 Expenses

The composition and analysis of the Group's expenses for the year are as follows:

	2024 HK\$'000	2023 HK\$'000 (Restated)
Claims and benefits	1,241,807	1,093,676
Acquisition expenses incurred		
- Commissions	3,040,783	1,912,748
- Other acquisition expenses	322,714	257,142
Losses on onerous insurance contracts	2,198	19,053
Employee benefit expenses (including directors' remuneration (note 9)):		
- Wages and salaries	551,934	495,320
- Net retirement benefit scheme contributions for employees	28,211	23,272
- Other benefits	38,576	45,562
Loss on disposals of property, plant and equipment and intangible assets	3,082	132
Auditors' remuneration	4,672	7,154
Depreciation from property, plant and equipment	142,605	151,761
Amortisation of intangible assets	73,914	63,227
Investment management expenses	65,912	69,667
Other miscellaneous expenses	9,628	4,389
	5,526,036	4,143,103
Amounts attributed to insurance acquisition cash flows	(3,570,798)	(2,429,297)
Amortisation of insurance acquisition cash flows	702,817	370,192
Insurance service and other expenses	2,658,055	2,083,998
Insurance service and other expenses represented by:		
Insurance service expenses		
- Contracts not measured under the PAA	2,355,859	1,775,188
- Contracts measured under the PAA	152,174	153,137
	2,508,033	1,928,325
Other operating expenses	150,022	155,673
Total	2,658,055	2,083,998

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Directors' remuneration

	2024 HK\$'000	2023 HK\$'000
Fees	2,770	4,280
Salaries, allowances and benefits in kind	14,811	14,071
Contributions to retirement benefits schemes	415	402
	17,996	18,753
	17,996	18,753

The aggregate amount of the three highest paid directors' remuneration was HK\$16,295,000 (2023: HK\$17,173,000).

10 Income tax expense

Income taxes have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

Hong Kong profits tax for the year has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong where the Group operates.

In accordance with Section 23(1)(a) of the Hong Kong Inland Revenue Ordinance, the Group's assessable profits are computed as 5% of net premiums (gross premiums received less reinsurance premiums ceded) from long term insurance business as specified by that Ordinance.

	2024 HK\$'000	2023 HK\$'000
Current - Hong Kong		
Current year tax provision	108,894	178,503
Over-provisions in prior years	-	(1,349)
	108,894	177,154
	108,894	177,154

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Income tax expense (Continued)

	2024		2023 (Restated)	
	HK\$'000	%	HK\$'000	%
Profit before income tax	1,180,158		1,030,333	
Tax at the statutory rate	194,726	16.5	170,005	16.5
Tax on 5% of net premiums of life insurance business	108,894	9.2	168,086	16.3
Adjustments for current tax of prior years	-	-	(1,349)	(0.1)
Results of life insurance business and other businesses not taxable at the statutory rate	(194,726)	(16.5)	(159,588)	(15.5)
Tax charge at the Group's effective rate	108,894	9.2	177,154	17.2

The Group has accumulated tax losses arising in Hong Kong of HK\$4,707,000 (2023: HK\$4,529,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules income taxes.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

	Computer equipment HK\$'000	Motor vehicle HK\$'000	Furniture, fixtures and equipment HK\$'000	Right-of-use assets of leased properties HK\$'000	Total HK\$'000
At 1 July 2023:					
Cost	69,084	-	185,640	712,232	966,956
Accumulated depreciation	(42,820)	-	(138,386)	(415,259)	(596,465)
Net carrying amount	<u>26,264</u>	<u>-</u>	<u>47,254</u>	<u>296,973</u>	<u>370,491</u>
At 1 July 2023, net of accumulated depreciation					
Additions	7,547	1,182	4,702	21,784	35,215
Depreciation charge	(11,116)	(76)	(25,272)	(106,141)	(142,605)
Disposals	(7)	-	(3,082)	(26,902)	(29,991)
At 30 June 2024, net of accumulated depreciation	<u>22,688</u>	<u>1,106</u>	<u>23,602</u>	<u>185,714</u>	<u>233,110</u>
At 30 June 2024:					
Cost	76,296	1,182	167,763	629,819	875,060
Accumulated depreciation	(53,608)	(76)	(144,161)	(444,105)	(641,950)
Net carrying amount	<u>22,688</u>	<u>1,106</u>	<u>23,602</u>	<u>185,714</u>	<u>233,110</u>

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment (Continued)

	Computer equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Right-of-use assets of leased properties HK\$'000	Total HK\$'000
At 1 July 2022:				
Cost	61,801	190,680	726,214	978,695
Accumulated depreciation	(33,374)	(131,552)	(366,435)	(531,361)
Net carrying amount	<u>28,427</u>	<u>59,128</u>	<u>359,779</u>	<u>447,334</u>
At 1 July 2022, net of accumulated depreciation				
Additions	8,327	23,188	43,535	75,050
Depreciation charge	(10,490)	(34,930)	(106,341)	(151,761)
Disposals	-	(132)	-	(132)
At 30 June 2023, net of accumulated depreciation	<u>26,264</u>	<u>47,254</u>	<u>296,973</u>	<u>370,491</u>
At 30 June 2023:				
Cost	69,084	185,640	712,232	966,956
Accumulated depreciation	(42,820)	(138,386)	(415,259)	(596,465)
Net carrying amount	<u>26,264</u>	<u>47,254</u>	<u>296,973</u>	<u>370,491</u>

12 Investment properties

	2024 HK\$'000	2023 HK\$'000
At fair value		
At 1 July	707,600	688,879
Net fair value (loss)/gains recognised in profit or loss	(26,000)	18,721
At 30 June	<u>681,600</u>	<u>707,600</u>

The investment properties held by the Group are pledged with a bank for secured bank loans, details of which are set out in note 22.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Investment properties (Continued)

(i) *Valuation processes*

The Group measures its investment properties at fair value. The investment properties are revalued semi-annually by an independent qualified valuer, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, on an open market value basis. The Group's management reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the management and the independent valuer at least once every six months.

(ii) *Valuation techniques*

Fair values of commercial office buildings and car parks in Hong Kong are generally derived using market approach. The underlying rationale of this approach is to directly relate the market comparable transactions involving similar properties to determine the market value of the subject properties.

Appropriate adjustments are then applied to the identified comparable transactions to account for any differences between the comparable properties and the subject properties. These property-specific adjusting factors may include, but are not limited to, location, size, age, condition, aspect, quality, and the presence of ancillary facilities. These adjustments are necessary to reflect any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

The valuations of properties were based on the economic, market, and other conditions as they existed on, and with the information available to management as of the reporting date.

All resulting fair value estimates for investment properties are included in Level 3. There were no changes to the valuation techniques during the year and there were no transfers among the fair value hierarchy during the year.

(iii) *Valuation inputs and relationships to fair value*

Investment properties	Fair Value HK\$'000	Valuation methods	Unobservable inputs	Range of significant unobservable inputs
Hong Kong Commercial properties	642,000 (2023: 668,000)	Sales comparison (2023: Sales comparison)	Property specific adjusting factors (2023: Property specific adjusting factors)	20% to 0% (2023: -15% to 10%)
Carparks	39,600 (2023: 39,600)	Sales comparison (2023: Sales comparison)	Property specific adjusting factors (2023: Property specific adjusting factors)	0% (2023: -5% to 5%)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Intangible assets

	2024 HK\$'000	2023 HK\$'000
At 1 July		
Cost	563,600	497,729
Accumulated amortisation	(403,921)	(340,694)
Net carrying amount	159,679	157,035
At 1 July, net of accumulated amortisation	159,679	157,035
Additions	111,873	65,871
Amortisation during the year	(73,914)	(63,227)
Disposal	(3,428)	-
At 30 June, net of accumulated amortisation	194,210	159,679
At 30 June		
Cost	669,842	563,600
Accumulated amortisation	(475,632)	(403,921)
Net carrying amount	194,210	159,679

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Prepayments, deposits and other debtors

	2024 HK\$'000	2023 HK\$'000 (Restated)
Prepayments	257,513	271,444
Interest and dividend receivables on:		
- derivative instruments (note 17)	20,205	10,078
- equity instruments	47,961	12,212
- others	2,037	426
Deposits	47,813	45,589
Pledged assets	28,836	-
Other debtors	87,551	47,503
	<u>491,916</u>	<u>387,252</u>

Included in prepayments mainly are amounts to infrastructure and systems under development of HK\$101,276,000 (2023: HK\$84,219,000).

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 Loans to agents

The Group provides loans to agents which bear interest at the prevailing bank lending rates, and some are repayable by monthly instalments.

	2024 HK\$'000	2023 HK\$'000
Loans to agents	70,095	83,274
Loss allowance	(50,174)	(44,627)
Total loans to agents, net of loss allowance	19,921	38,647

For those loans to agents net of loss allowance, an ageing analysis is as follows:

	2024 HK\$'000	2023 HK\$'000
Not yet past due	11,883	33,152
Within one month past due	2,907	2,928
More than one month past due	5,131	2,567
Total loans to agents, net of loss allowance	19,921	38,647

The Group measures loss allowances for loans to agents at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group assesses credit quality of individual loan to agent based on historical credit loss experience and the status of debt collection.

The carrying amount of loans to agents is expected to be recovered as below:

	2024 HK\$'000	2023 HK\$'000
Within one year	19,453	5,921
After one year	468	32,726
Total	19,921	38,647

The directors consider that the fair value of the loans to agents approximately equals the corresponding carrying value.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Financial investments

Debt securities measured at FVPL are designated as such upon initial recognition. Equity instruments, including equity shares, interests in investment funds, alternative investments, are mandatorily measured at FVPL, except those designated as FVOCI which is disclosed in note 16.1 below. Alternative investments represent interests in private equity funds in the legal form of a partnership (note 18).

At 30 June 2024	FVPL HK\$'000	FVOCI HK\$'000	AC HK\$'000	Total HK\$'000
Debt securities - fixed rate				
Government bonds				
- listed	5,718,279	471,892	100,241	6,290,412
Other debt securities				
- listed	34,123,667	7,700,574	930,123	42,754,364
- unlisted	1,352,789	1,502,257	-	2,855,046
Debt securities - variable rate				
Government bonds				
- unlisted	20,514	-	-	20,514
Other debt securities				
- listed	3,208,105	781,060	63,363	4,052,528
- unlisted	201,289	107,364	-	308,653
Equity shares - listed	1,187,089	771,052	-	1,958,141
Interests in investment funds	7,903,793	-	-	7,903,793
Alternative investments	3,638,074	-	-	3,638,074
	<u>57,353,599</u>	<u>11,334,199</u>	<u>1,093,727</u>	<u>69,781,525</u>

At 30 June 2023	FVPL HK\$'000 (Restated)	FVOCI HK\$'000 (Restated)	AC HK\$'000 (Restated)	Total HK\$'000 (Restated)
Debt securities - fixed rate				
Government bonds				
- listed	5,089,779	560,689	-	5,650,468
- unlisted	2,382,726	-	-	2,382,726
Other debt securities				
- listed	28,193,369	7,282,882	-	35,476,251
- unlisted	618,845	1,438,463	-	2,057,308
Debt securities - variable rate				
Government bonds				
- unlisted	22,446	-	-	22,446
Other debt securities				
- listed	1,996,289	545,045	-	2,541,334
- unlisted	255,448	118,230	-	373,678
Equity shares - listed	1,786,955	450,999	-	2,237,954
Interests in investment funds	7,240,300	-	-	7,240,300
Alternative investments	2,608,810	-	-	2,608,810
	<u>50,194,967</u>	<u>10,396,308</u>	<u>-</u>	<u>60,591,275</u>

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Financial investments (Continued)

16.1 Financial investments at FVOCI

Designation of equities at FVOCI (non-recycling)

As at the reporting date, the Group has the following equity instruments designated as measured at FVOCI:

	2024 HK\$'000	2023 HK\$'000
(1) a listed Chinese bank headquartered in Zhejiang, the People's Republic of China ("PRC")	365,026	448,861
(2) a listed Chinese provincial city commercial bank headquartered in Nanchang, Jiangxi Province, the PRC	1,026	2,138
(3) a listed investment holding company	405,000	-
	771,052	450,999

The designated equities represent strategic assets of the Group. In formulating the decision of investment in a strategic asset, the Group takes the following criteria into account:

- the Group and/or its affiliated companies has existing or the intention to enter into strategic cooperation with these companies;
- the primary investment objective is for earning dividend income; and/or
- the Group has an intention to hold such investments for not less than 6 months.

Dividend income from the strategic assets amounted to HK\$54,427,000 (2023: HK\$37,648,000) during the year, none of which (2023: None) was earned from investments derecognised during the year.

Realised loss on disposal of strategic assets amounted to HK\$4,526,000 (2023: loss of HK\$38,327,000) during the year. Strategic assets (1) to (2) listed above were partially disposed for stop-loss and rebalancing/de-risk purposes.

The fair value of these disposed strategic assets at the date of derecognition was HK\$586,000 (2023: HK\$54,048,000).

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Financial investments (Continued)

16.1 Financial investments at FVOCI (Continued)

Maturity profile of debt securities at FVOCI

	2024 HK\$'000	2023 HK\$'000 (Restated)
With a contractual maturity of:		
One year or less	561,800	46,927
Two years or less but over one year	445,430	60,649
Three years or less but over two years	820,912	77,471
Four years or less but over three years	658,265	154,786
Five years or less but over four years	605,835	294,384
Over five years	7,470,905	9,311,092
	10,563,147	9,945,309

Movement of FVOCI reserves

Details of the movements in FVOCI reserves recognised in other comprehensive income for the year are as follows:

	2024 HK\$'000	2023 HK\$'000 (Restated)
Realised (loss)/gains included in profit or loss	(58,610)	1,673
Impairment loss (including foreign exchange) included in profit or loss	91,886	227,886
Change in fair value in FVOCI reserve (recycling)	(27,657)	(541,344)
Change in fair value in FVOCI reserve (non-recycling) recognised in other comprehensive income	(225,360)	(183,122)
Net movement recognised in other comprehensive income	(219,741)	(494,907)

16.2 Debt securities at amortised cost

	2024 HK\$'000	2023 HK\$'000 (Restated)
With a contractual maturity of:		
- Over five years	1,093,727	-
	1,093,727	-

At the reporting date, the aggregate fair value of debt securities at amortised cost is HK\$972,539,000 (2023: nil), of which HK\$815,914,000 (2023: nil) is fair value hierarchy level 1 instruments and HK\$156,625,000 (2023: nil) is level 2 instruments. The fair value is based on quoted market prices at that date.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Derivative financial instruments

	2024 HK\$'000	2023 HK\$'000 (Restated)
Assets		
Cross currency swap agreements – cash flow hedges	-	206
Cross currency swap agreements – non-hedge	44,737	25,626
Forward starting swap agreements – cash flow hedges	-	1,383
Forward starting swap agreements – non-hedges	-	1,786
Forward exchange agreements	1,167	30
Equity index option	6,934	1,150
	52,838	30,181
Liabilities		
Cross currency swap agreements – cash flow hedges	(138)	(63)
Cross currency swap agreements – non hedges	(229)	(76)
Forward starting swap agreements – cash flow hedges	(311)	-
Forward starting swap agreements – non hedges	(401)	-
Forward exchange agreements	(2,156)	(9,908)
Equity index option	(47,427)	(5,941)
	(50,662)	(15,988)

As at 30 June 2024, the Group received HK\$15,421,000 cash and bank balance from counterparties as collateral which are repayable on demand (2023: HK\$19,868,000). Interest is calculated on overnight federal fund rate and payable to counterparties.

The effects of hedge accounting on the Group's financial position and performance are as follows:

	2024		2023	
	Cross currency swap agreements HK\$'000	Forward starting swap agreements HK\$'000	Cross currency swap agreements HK\$'000	Forward starting swap agreements HK\$'000
Hedge ratio	1:1	1:1	1:1	1:1
Notional amount	US\$6 million (approximately HK\$44 million)	US\$9 million (approximately HK\$68 million)	US\$6 million (approximately HK\$50 million)	US\$9 million (approximately HK\$68 million)
Maturity date	2025 to 2027	2030	2024 to 2027	2030
Balance of hedging reserve	645	(311)	1,172	1,383

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Derivative financial instruments (Continued)

Cross currency swap agreements - cash flow hedges for bond investments

The Group has certain cross currency swap agreements designated as cash flow hedges against its foreign currency risk in respect of cash flows from certain bond investments. The existence of an economic relationship between the cross currency swap agreements and the highly probable forecast transactions is determined based on their currency amounts and the timing of their respective cash flows.

Forward starting swap agreements - cash flow hedges for bonds to be purchased in the future

The Group entered into certain forward starting swap agreements designated as cash flow hedges against its interest rate risk in respect of bonds to be purchased in the future. Under the agreements, after the forward date, the Group will be entitled to receive a fixed rate of approximately 4% to 5% per annum and is required to pay a floating rate based on the Secured Overnight Financing Rate (SOFR) published by the Federal Reserve Bank of New York. The Group determines the existence of an economic relationship between the forward starting swap agreements and the debt security investments by matching their critical terms, including the currency and forward date.

Details for the hedging reserve recognised in other comprehensive income during the year are as follows:

	2024 HK\$'000	2023 HK\$'000
Net movement in hedging reserve recognised in other comprehensive income	(2,221)	(9,967)
	(2,221)	(9,967)

The derivative financial instruments are subject to an enforceable master netting arrangement and the gross amount is reported in the consolidated statement of financial position.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Derivative financial instruments (Continued)

The following table presents the derivative financial instruments that are subject to enforceable master netting arrangements and the gross amount is reported in the consolidated statement of financial position.

	2024 HK\$'000	2023 HK\$'000
Gross amount presented in the consolidated statement of financial position		
<i>Assets</i>		
Derivative financial instruments	52,838	30,181
Accrued interest receivable included in prepayments, deposits and other debtors	20,205	10,078
	73,043	40,259
	73,043	40,259
<i>Liabilities</i>		
Derivative financial instruments	(50,662)	(15,988)
Accrued interest payable included in accrued expenses and other creditors	(17,696)	(9,910)
	(68,358)	(25,898)
	(68,358)	(25,898)
	2024 HK\$'000	2023 HK\$'000
Net amounts		
<i>Assets</i>		
Derivative financial instruments	46,500	30,054
Accrued interest receivable included in prepayments, Deposits and other debtors	2,632	168
	49,132	30,222
	49,132	30,222
<i>Liabilities</i>		
Derivative financial instruments	(44,324)	(15,861)
Accrued interest payable included in accrued expenses and other creditors	(123)	-
	(44,447)	(15,861)
	(44,447)	(15,861)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Fair value measurement

Fair value hierarchy

The following table presents the Group's financial instruments that are measured at fair value at the reporting date, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

The financial instruments measured at fair value on a recurring basis are further analysed as below:

2024	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<i>Assets</i>				
Debt securities	50,805,103	4,355,087	27,600	55,187,790
Equities	1,958,141	-	-	1,958,141
Alternative investments	-	-	3,638,074	3,638,074
Interests in investment funds	7,903,626	167	-	7,903,793
Investments related to unit-linked contracts (note 20)	8,967,113	50,932	-	9,018,045
Derivative financial instruments	-	52,838	-	52,838
At 30 June 2024	<u>69,633,983</u>	<u>4,459,024</u>	<u>3,665,674</u>	<u>77,758,681</u>
<i>Liabilities</i>				
Investment contract liabilities (note 20)	-	4,180,230	-	4,180,230
Derivative financial instruments	-	50,662	-	50,662
At 30 June 2024	<u>-</u>	<u>4,230,892</u>	<u>-</u>	<u>4,230,892</u>

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Fair value measurement (Continued)

Fair value hierarchy (Continued)

2023	Level 1 HK\$'000 (Restated)	Level 2 HK\$'000 (Restated)	Level 3 HK\$'000 (Restated)	Total HK\$'000 (Restated)
<i>Assets</i>				
Debt securities	36,860,190	11,607,221	36,800	48,504,211
Equities	2,237,953	-	-	2,237,953
Alternative investments	-	-	2,608,810	2,608,810
Interests in investment funds	7,240,301	-	-	7,240,301
Investments related to unit-linked contracts (note 20)	8,924,380	-	-	8,924,380
Derivative financial instruments	-	30,181	-	30,181
At 30 June 2023	<u>55,262,824</u>	<u>11,637,402</u>	<u>2,645,610</u>	<u>69,545,836</u>
	Level 1 HK\$'000 (Restated)	Level 2 HK\$'000 (Restated)	Level 3 HK\$'000 (Restated)	Total HK\$'000 (Restated)
<i>Liabilities</i>				
Investment contract liabilities (note 20)	-	4,415,891	-	4,415,891
Derivative financial instruments	-	15,988	-	15,988
At 30 June 2023	<u>-</u>	<u>4,431,879</u>	<u>-</u>	<u>4,431,879</u>

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Fair value measurement (Continued)

Fair value hierarchy (Continued)

The Group's policy is to recognise transfers between levels of the fair value hierarchy at each reporting date. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency indicate an active market. Under this assessment, debt securities of the following carrying amounts were reclassified between the fair value hierarchy levels at the reporting date. For other financial instruments measured at fair value on a recurring basis, there are no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

	2024		2023	
	FVPL HK\$'000	FVOCI HK\$'000	FVPL HK\$'000 (Restated)	FVOCI HK\$'000 (Restated)
<i>Transfers between levels</i>				
Level 1 to level 2	247,752	220,011	3,640,414	685,218
Level 2 to level 1	3,296,833	914,798	1,538,846	515,228
Into or out of level 3	Nil	Nil	Nil	Nil

Valuation techniques and the inputs used in the Level 2 fair value measurements

The fair value of forward starting swap agreements and forward exchange agreements is determined by discounting the contractual future cash flows. The discount rate used is derived from the relevant swap curve as at the reporting date.

The fair value of cross currency swap agreements is determined by discounting the contractual future cash flows. The exchange rate and discount rate used are derived from the relevant foreign exchange forward rates and swap curve as at the reporting date, with potential adjustment made for various collateralisation agreement.

The fair value of bonds in Level 2 is determined by the latest transaction price quoted by the custodian. As there was no active market for such bonds as at the reporting date, they are classified as Level 2. There is no change in valuation approach for the Level 2 financial instruments.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Fair value measurement (Continued)

Information about Level 3 fair value measurements

At the reporting date, the Group's level 3 instruments include alternative investments and a debt security without a quoted price.

Alternative investments represent interests in private equity funds in the legal form of a partnership. Their fair value is estimated based on net asset value statements prepared by the managers of the funds. Valuation of the underlying investments involves valuation techniques developed by the managers of the partnerships that use significant inputs that are unobservable. The fair value measurement of underlying investments is positively correlated to the fund valuation. Transaction price is used as the best estimate of fair value at inception.

The fair value of the debt security without a quoted price is estimated by applying the discounted cash flow approach to projected income cash flows derived from that instrument. An appropriate discount rate is selected using judgment.

The following table shows the sensitivity of the fair value of Level 3 financial instruments to reasonably possible alternative assumptions used in the fair value measurement derived from valuation techniques or market prices of the financial instruments:

	Valuation technique	Significant unobservable inputs	2024		
			Change in Variables	(Decrease)/ increase in profit or loss HK\$'000	(Decrease)/ increase in equity HK\$'000
At FVPL:					
- Debt securities	Income Approach	Discount rate for rental income cash flows	+10%	(2,760)	(2,760)
			-10%	2,760	2,760
			2023		
	Valuation technique	Significant unobservable inputs	Change in variables	(Decrease)/ increase in profit or loss HK\$'000	(Decrease)/ increase in equity HK\$'000
- Debt securities	Income Approach	Discount rate for rental income cash flows	+10%	(3,680)	(3,680)
			-10%	3,680	3,680

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Fair value measurement (Continued)

Information about Level 3 fair value measurements (Continued)

The movement during the year in the carrying amount of alternative investments is as follows:

	2024 HK\$'000	2023 HK\$'000
Alternative investments at FVPL		
At 1 July	2,608,810	2,455,770
Purchases	1,148,333	579,087
Sales	(272,007)	(154,376)
Net realised and unrealised gains/(loss) recognised in profit or loss	152,938	(271,671)
At 30 June	3,638,074	2,608,810
 Total gains or losses for the year included in the profit or loss for assets held at the reporting date	 263,301	 73,175

19 Insurance contracts and reinsurance contracts held

(a) Movement in carrying amounts

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the consolidated statement of comprehensive income. The Group presents a table separately analysing 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 consolidated statement of comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Group's maximum exposure to credit risk from these assets.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach

		Year ended 30 June 2024			
		Liabilities for remaining coverage			
	Notes	Excluding loss component HK\$'000	Loss component HK\$'000	Liabilities for incurred claims HK\$'000	Total HK\$'000
Opening assets		(938,209)	175	635,295	(302,739)
Opening liabilities		55,594,088	18,935	(248,496)	55,364,527
Net opening balance		54,655,879	19,110	386,799	55,061,788
Insurance revenue	4	(3,076,316)	-	-	(3,076,316)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(16,572)	1,571,355	1,554,783
Amortisation of insurance acquisition cash flows		676,326	-	-	676,326
Losses and reversal of losses on onerous contracts		-	18,770	-	18,770
Adjustments to liabilities for incurred claims		-	-	105,980	105,980
Total insurance service expenses		676,326	2,198	1,677,335	2,355,859
Investment components		(2,269,364)	-	2,269,364	-
Insurance service result		(4,669,354)	2,198	3,946,699	(720,457)
Net finance expenses/(income) from insurance contracts	5	1,464,134	(9)	17,768	1,481,893
Total changes in the consolidated statement of comprehensive income		(3,205,220)	2,189	3,964,467	761,436
Cash flows					
Premiums received		13,101,932	-	-	13,101,932
Claims and other insurance service expenses paid, including investment components		-	-	(3,868,468)	(3,868,468)
Insurance acquisition cash flows paid		(3,584,798)	-	-	(3,584,798)
Other amounts received, net	(a)	2,516,730	-	-	2,516,730
Total cash flows		12,033,864	-	(3,868,468)	8,165,396
Net closing balance		63,484,523	21,299	482,798	63,988,620
Closing assets		(1,070,683)	557	521,856	(548,270)
Closing liabilities		64,555,206	20,742	(39,058)	64,536,890
Net closing balance		63,484,523	21,299	482,798	63,988,620

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach

		Year ended 30 June 2023			
		Liabilities for remaining coverage			
	Notes	Excluding loss component HK\$'000	Loss component HK\$'000	Liabilities for incurred claims HK\$'000	Total HK\$'000
Opening assets		(1,313,367)	-	110,916	(1,202,451)
Opening liabilities		41,782,868	-	398,141	42,181,009
Net opening balance		40,469,501	-	509,057	40,978,558
Insurance revenue	4	(2,527,112)	-	-	(2,527,112)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(6,282)	1,288,116	1,281,834
Amortisation of insurance acquisition cash flows		345,387	-	-	345,387
Losses and reversal of losses on onerous contracts		-	25,335	-	25,335
Adjustments to liabilities for incurred claims		-	-	122,631	122,631
Total insurance service expenses		345,387	19,053	1,410,747	1,775,187
Investment components		(1,825,262)	-	1,825,262	-
Insurance service result		(4,006,987)	19,053	3,236,009	(751,925)
Net finance expenses/(income) from insurance contracts	5	(67,513)	57	7,949	(59,507)
Total changes in the consolidated statement of comprehensive income		(4,074,500)	19,110	3,243,958	(811,432)
Cash flows					
Premiums received		20,530,019	-	-	20,530,019
Claims and other insurance service expenses paid, including investment components		-	-	(3,366,216)	(3,366,216)
Insurance acquisition cash flows paid		(2,329,656)	-	-	(2,329,656)
Other amounts received, net	(a)	60,515	-	-	60,515
Total cash flows		18,260,878	-	(3,366,216)	14,894,662
Net closing balance		54,655,879	19,110	386,799	55,061,788
Closing assets		(938,209)	175	635,295	(302,739)
Closing liabilities		55,594,088	18,935	(248,496)	55,364,527
Net closing balance		54,655,879	19,110	386,799	55,061,788

Note (a): Included within the other amounts received are the net cash flows of deposits and policy loans with the policyholders.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach

	Notes	Year ended 30 June 2024					Total HK\$'000	Total HK\$'000
		Estimates of present value of future cash flows HK\$'000	Risk adjustment for non- financial risk HK\$'000	CSM		Total HK\$'000		
				Contracts under fair value approach HK\$'000	Other contracts HK\$'000			
Opening assets		(1,665,372)	234,873	1,031,643	96,117	1,127,760	(302,739)	
Opening liabilities		48,294,299	1,005,932	5,076,127	988,169	6,064,296	55,364,527	
Net opening balance		46,628,927	1,240,805	6,107,770	1,084,286	7,192,056	55,061,788	
Insurance service result								
Changes that relate to current services								
CSM recognised for services provided	4	-	-	(655,444)	(225,216)	(880,660)	(880,660)	
Change in risk adjustment for non-financial risk		-	(5,993)	-	-	-	(5,993)	
Experience adjustments		41,448	-	-	-	-	41,448	
Changes that relate to future services								
Contracts initially recognised in the year		(1,496,079)	137,233	-	1,361,657	1,361,657	2,811	
Changes in estimates that adjust the CSM		(558,404)	(181,997)	844,702	(104,301)	740,401	-	
Changes in estimates that result in losses and reversal of losses on onerous contracts		16,281	(324)	-	-	-	15,957	
Changes that relate to past services		105,980	-	-	-	-	105,980	
Total insurance service result		(1,890,774)	(51,081)	189,258	1,032,140	1,221,398	(720,457)	
Net finance expenses/(income) from insurance contracts	5	1,536,134	-	1,223	(55,464)	(54,241)	1,481,893	
Total changes in the consolidated statement of comprehensive income		(354,640)	(51,081)	190,481	976,676	1,167,157	761,436	
Premium received		13,101,932	-	-	-	-	13,101,932	
Claims and other insurance service expenses paid, including investment components		(3,868,468)	-	-	-	-	(3,868,468)	
Insurance acquisition cash flows paid		(3,584,798)	-	-	-	-	(3,584,798)	
Other amounts received, net	(a)	2,516,730	-	-	-	-	2,516,730	
Cash flows		8,165,396	-	-	-	-	8,165,396	
Net closing balance		54,439,683	1,189,724	6,298,251	2,060,962	8,359,213	63,988,620	
Closing assets		(1,650,355)	249,766	699,210	153,109	852,319	(548,270)	
Closing liabilities		56,090,038	939,958	5,599,041	1,907,853	7,506,894	64,536,890	
Net closing balance		54,439,683	1,189,724	6,298,251	2,060,962	8,359,213	63,988,620	

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach

	Notes	Year ended 30 June 2023					Total HK\$'000	Total HK\$'000
		Estimates of present value of future cash flows HK\$'000	Risk adjustment for non- financial risk HK\$'000	CSM		Total HK\$'000		
				Contracts under fair value approach HK\$'000	Other contracts HK\$'000			
Opening assets		(2,118,743)	294,436	621,856	-	621,856	(1,202,451)	
Opening liabilities		35,334,472	888,159	5,958,378	-	5,958,378	42,181,009	
Net opening balance		33,215,729	1,182,595	6,580,234	-	6,580,234	40,978,558	
Insurance service result								
Changes that relate to current services								
CSM recognised for services provided	4	-	-	(675,273)	(65,322)	(740,595)	(740,595)	
Change in risk adjustment for non-financial risk		-	(16,151)	-	-	-	(16,151)	
Experience adjustments		(143,145)	-	-	-	-	(143,145)	
Changes that relate to future services								
Contracts initially recognised in the year		(1,810,144)	235,241	-	1,600,084	1,600,084	25,181	
Changes in estimates that adjust the CSM		269,163	(165,600)	248,116	(351,679)	(103,563)	-	
Changes in estimates that result in losses and reversal of losses on onerous contracts		(4,566)	4,720	-	-	-	154	
Changes that relate to past services		122,631	-	-	-	-	122,631	
Total insurance service result		(1,566,061)	58,210	(427,157)	1,183,083	755,926	(751,925)	
Net finance expenses/(income) from insurance contracts	5	84,597	-	(45,307)	(98,797)	(144,104)	(59,507)	
Total changes in the consolidated statement of comprehensive income		(1,481,464)	58,210	(472,464)	1,084,286	611,822	(811,432)	
Premium received		20,530,019	-	-	-	-	20,530,019	
Claims and other insurance service expenses paid, including investment components		(3,366,216)	-	-	-	-	(3,366,216)	
Insurance acquisition cash flows paid		(2,329,656)	-	-	-	-	(2,329,656)	
Other amounts received, net	(a)	60,515	-	-	-	-	60,515	
Cash flows		14,894,662	-	-	-	-	14,894,662	
Net closing balance		46,628,927	1,240,805	6,107,770	1,084,286	7,192,056	55,061,788	
Closing assets		(1,665,372)	234,873	1,031,643	96,117	1,127,760	(302,739)	
Closing liabilities		48,294,299	1,005,932	5,076,127	988,169	6,064,296	55,364,527	
Net closing balance		46,628,927	1,240,805	6,107,770	1,084,286	7,192,056	55,061,788	

Note (a): Included within the other amounts received are the net cash flows of deposits and policy loans with the policyholders.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach

		Year ended 30 June 2024			
		Asset for remaining coverage			
	Notes	Excluding loss-recovery component HK\$'000	Loss-recovery component HK\$'000	Asset for incurred claims HK\$'000	Total HK\$'000
Opening assets		-	-	-	-
Opening liabilities		(162,370)	3	145,312	(17,055)
Net opening balance		(162,370)	3	145,312	(17,055)
Changes in the consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held		(208,868)	(1)	233,301	24,432
Investment components		(9,770)	-	9,770	-
Net finance income from reinsurance contracts held	5	4,923	-	646	5,569
Total changes in the consolidated statement of comprehensive income		(213,715)	(1)	243,717	30,001
Cash flows					
Premiums paid		263,965	-	-	263,965
Amounts received		-	-	(282,100)	(282,100)
Total cash flows		263,965	-	(282,100)	(18,135)
Net closing balance		(112,120)	2	106,929	(5,189)
Closing assets		-	-	-	-
Closing liabilities		(112,120)	2	106,929	(5,189)
Net closing balance		(112,120)	2	106,929	(5,189)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach

		Year ended 30 June 2023			
		Asset for remaining coverage			
	Notes	Excluding loss-recovery component HK\$'000	Loss-recovery component HK\$'000	Asset for incurred claims HK\$'000	Total HK\$'000
Opening assets		-	-	-	-
Opening liabilities		(216,428)	-	103,522	(112,906)
Net opening balance		(216,428)	-	103,522	(112,906)
Changes in the consolidated statement of comprehensive income					
Net (expenses)/income from reinsurance contracts held		(173,473)	3	167,693	(5,777)
Investment components		(10,154)	-	10,154	-
Net finance income from reinsurance contracts held	5	5,670	-	223	5,893
Total changes in the consolidated statement of comprehensive income		(177,957)	3	178,070	116
Cash flows					
Premiums paid		232,015	-	-	232,015
Amounts received		-	-	(136,280)	(136,280)
Total cash flows		232,015	-	(136,280)	95,735
Net closing balance		(162,370)	3	145,312	(17,055)
Closing assets		-	-	-	-
Closing liabilities		(162,370)	3	145,312	(17,055)
Net closing balance		(162,370)	3	145,312	(17,055)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach

		Year ended 30 June 2024					
		CSM					
	Notes	Estimates of present value of future cash flows HK\$'000	Risk adjustment for non-financial risk HK\$'000	Contracts under fair value approach HK\$'000	Other contracts HK\$'000	Total HK\$'000	Total HK\$'000
Opening assets		-	-	-	-	-	-
Opening liabilities		(183,773)	47,743	130,233	(11,258)	118,975	(17,055)
Net opening balance		(183,773)	47,743	130,233	(11,258)	118,975	(17,055)
Net (expenses)/income from reinsurance contracts held							
Changes that relate to current services							
CSM recognised for services received	4	-	-	(19,304)	(5,946)	(25,250)	(25,250)
Change in risk adjustment for non-financial risk		-	323	-	-	-	323
Experience adjustments		50,608	-	-	-	-	50,608
Changes that relate to future services							
Contracts initially recognised in the year		(4,168)	3,184	-	984	984	-
Changes in estimates that adjust the CSM		(96,390)	(9,416)	89,842	15,964	105,806	-
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	2	-	(2)	-	-	-	-
Changes that relate to past services		(1,249)	-	-	-	-	(1,249)
Total net (expenses)/income from reinsurance contracts held		(51,197)	(5,911)	70,538	11,002	81,540	24,432
Net finance income/(expenses) from reinsurance contracts held	5	2,173	-	3,508	(112)	3,396	5,569
Total changes in the consolidated statement of comprehensive income		(49,024)	(5,911)	74,046	10,890	84,936	30,001
Cash flows		(18,135)	-	-	-	-	(18,135)
Net closing balance		(250,932)	41,832	204,279	(368)	203,911	(5,189)
Closing assets		-	-	-	-	-	-
Closing liabilities		(250,932)	41,832	204,279	(368)	203,911	(5,189)
Net closing balance		(250,932)	41,832	204,279	(368)	203,911	(5,189)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach

		Year ended 30 June 2023						
		CSM						
	Notes	Estimates of present value of future cash flows HK\$'000	Risk adjustment for non-financial risk HK\$'000	Contracts under fair value approach HK\$'000	Other contracts HK\$'000	Total HK\$'000	Total HK\$'000	
Opening assets		-	-	-	-	-	-	
Opening liabilities		(196,123)	53,394	29,823	-	29,823	(112,906)	
Net opening balance		(196,123)	53,394	29,823	-	29,823	(112,906)	
Net (expenses)/income from reinsurance contracts held								
Changes that relate to current services								
CSM recognised for services received	4	-	-	1,331	800	2,131	2,131	
Change in risk adjustment for non-financial risk		-	(416)	-	-	-	(416)	
Experience adjustments		(10,187)	-	-	-	-	(10,187)	
Changes that relate to future services								
Contracts initially recognised in the year		929	4,905	-	(5,832)	(5,832)	2	
Changes in estimates that adjust the CSM		(83,352)	(10,140)	99,696	(6,204)	93,492	-	
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts		-	-	-	-	-	-	
Changes that relate to past services		2,693	-	-	-	-	2,693	
Total net (expenses)/income from reinsurance contracts held		(89,917)	(5,651)	101,027	(11,236)	89,791	(5,777)	
Net finance income/(expenses) from reinsurance contracts held	5	6,532	-	(617)	(22)	(639)	5,893	
Total changes in the consolidated statement of comprehensive income		(83,385)	(5,651)	100,410	(11,258)	89,152	116	
Cash flows		95,735	-	-	-	-	95,735	
Net closing balance		(183,773)	47,743	130,233	(11,258)	118,975	(17,055)	
Closing assets		-	-	-	-	-	-	
Closing liabilities		(183,773)	47,743	130,233	(11,258)	118,975	(17,055)	
Net closing balance		(183,773)	47,743	130,233	(11,258)	118,975	(17,055)	

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

Year ended 30 June 2024						
	Notes	Liabilities for remaining coverage		Liabilities for incurred claims		Total HK\$'000
		Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non- financial risk	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Opening assets		-	-	-	-	-
Opening liabilities		109,108	-	111,018	-	220,126
Net opening balance		109,108	-	111,018	-	220,126
Insurance revenue	4	(170,185)	-	-	-	(170,185)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	-	116,571	-	116,571
Amortisation of insurance acquisition cash flows		26,489	-	-	-	26,489
Losses and reversal of losses on onerous contracts		-	-	-	-	-
Adjustments to liabilities for incurred claims		-	-	9,114	-	9,114
Total insurance service expenses		26,489	-	125,685	-	152,174
Investment components		71	-	(71)	-	-
Insurance service result		(143,625)	-	125,614	-	(18,011)
Net finance expenses/(income) from insurance contracts	5	(138)	-	405	-	267
Total changes in the consolidated statement of comprehensive income		(143,763)	-	126,019	-	(17,744)
Cash flows						
Premiums received		144,261	-	-	-	144,261
Claims and other insurance service expenses paid, including investment components		-	-	(240,809)	-	(240,809)
Insurance acquisition cash flows paid		(24,572)	-	-	-	(24,572)
Total cash flows		119,689	-	(240,809)	-	(121,120)
Net closing balance		85,034	-	(3,772)	-	81,262
Closing assets		-	-	-	-	-
Closing liabilities		85,034	-	(3,772)	-	81,262
Net closing balance		85,034	-	(3,772)	-	81,262

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

	Notes	Year ended 30 June 2023				Total HK\$'000
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component HK\$'000	Loss component HK\$'000	Estimate of present value of future cash flows HK\$'000	Risk adjustment for non- financial risk HK\$'000	
Opening assets		-	-	-	-	-
Opening liabilities		55,695	-	29,985	-	85,680
Net opening balance		55,695	-	29,985	-	85,680
Insurance revenue	4	(169,502)	-	-	-	(169,502)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	-	118,916	-	118,916
Amortisation of insurance acquisition cash flows		24,805	-	-	-	24,805
Losses and reversal of losses on onerous contracts		-	-	-	-	-
Adjustments to liabilities for incurred claims		-	-	9,417	-	9,417
Total insurance service expenses		24,805	-	128,333	-	153,138
Investment components		43	-	(43)	-	-
Insurance service result		(144,654)	-	128,290	-	(16,364)
Net finance expenses/(income) from insurance contracts	5	(35)	-	45	-	10
Total changes in the consolidated statement of comprehensive income		(144,689)	-	128,335	-	(16,354)
Cash flows						
Premiums received		232,090	-	-	-	232,090
Claims and other insurance service expenses paid, including investment components		-	-	(47,302)	-	(47,302)
Insurance acquisition cash flows paid		(33,988)	-	-	-	(33,988)
Total cash flows		198,102	-	(47,302)	-	150,800
Net closing balance		109,108	-	111,018	-	220,126
Closing assets		-	-	-	-	-
Closing liabilities		109,108	-	111,018	-	220,126
Net closing balance		109,108	-	111,018	-	220,126

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held measured under the premium allocation approach

	Notes	Year ended 30 June 2024				Total HK\$'000
		Asset for remaining coverage		Asset for incurred claims		
		Excluding loss-recovery component HK\$'000	Loss- recovery component HK\$'000	Estimate of present value of future cash flows HK\$'000	Risk adjustment for non- financial risk HK\$'000	
Opening assets		(49,013)	23	165,809	-	116,819
Opening liabilities		-	-	-	-	-
Net opening balance		(49,013)	23	165,809	-	116,819
Changes in the consolidated statement of comprehensive income						
Net (expenses)/income from reinsurance contracts held		(219,051)	(2)	274,561	-	55,508
Investment components		-	-	-	-	-
Net finance income from reinsurance contracts held	5	68	-	(51)	-	17
Total changes in the consolidated statement of comprehensive income		(218,983)	(2)	274,510	-	55,525
Cash flows						
Premiums paid		229,705	-	-	-	229,705
Amounts received		-	-	(147,619)	-	(147,619)
Total cash flows		229,705	-	(147,619)	-	82,086
Net closing balance		(38,291)	21	292,700	-	254,430
Closing assets		(38,291)	21	292,700	-	254,430
Closing liabilities		-	-	-	-	-
Net closing balance		(38,291)	21	292,700	-	254,430

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(a) Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held measured under the premium allocation approach

	Notes	Year ended 30 June 2023				Total HK\$'000
		Asset for remaining coverage		Asset for incurred claims		
		Excluding loss-recovery component HK\$'000	Loss- recovery component HK\$'000	Estimate of present value of future cash flows HK\$'000	Risk adjustment for non- financial risk HK\$'000	
Opening assets		(32,386)	-	172,672	-	140,286
Opening liabilities		-	-	-	-	-
Net opening balance		(32,386)	-	172,672	-	140,286
Changes in the consolidated statement of comprehensive income						
Net (expenses)/income from reinsurance contracts held		(193,764)	23	177,994	-	(15,747)
Investment components		-	-	-	-	-
Net finance income from reinsurance contracts held	5	(2)	-	(84)	-	(86)
Total changes in the consolidated statement of comprehensive income		(193,766)	23	177,910	-	(15,833)
Cash flows						
Premiums paid		177,139	-	-	-	177,139
Amounts received		-	-	(184,773)	-	(184,773)
Total cash flows		177,139	-	(184,773)	-	(7,634)
Net closing balance		(49,013)	23	165,809	-	116,819
Closing assets		(49,013)	23	165,809	-	116,819
Closing liabilities		-	-	-	-	-
Net closing balance		(49,013)	23	165,809	-	116,819

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(b) Effect of contracts initially recognised in the year

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

Insurance contracts issued

	Profitable contracts issued HK\$'000	Onerous contracts issued HK\$'000	Total HK\$'000
Year ended 30 June 2024			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	3,693,561	9,300	3,702,861
Claims payable and other expenses	12,898,457	7,076	12,905,533
Total estimates of present value of future cash outflows	16,592,018	16,376	16,608,394
Estimates of present value of future cash inflows	(18,090,815)	(13,658)	(18,104,473)
Risk adjustment for non-financial risk	137,140	93	137,233
Contractual service margin	1,361,657	-	1,361,657
Losses recognised on initial recognition	-	2,811	2,811
Year ended 30 June 2023			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	2,108,984	94,339	2,203,323
Claims payable and other expenses	13,849,909	120,337	13,970,246
Total estimates of present value of future cash outflows	15,958,893	214,676	16,173,569
Estimates of present value of future cash inflows	(17,790,103)	(193,610)	(17,983,713)
Risk adjustment for non-financial risk	231,126	4,115	235,241
Contractual service margin	1,600,084	-	1,600,084
Losses recognised on initial recognition	-	25,181	25,181

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

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

Reinsurance contracts held

	Total HK\$'000
Year ended 30 June 2024	
Estimates of present value of future cash inflows	191,944
Estimates of present value of future cash outflows	(196,112)
Risk adjustment for non-financial risk	3,184
Income recognised on initial recognition	-
	-
Contractual service margin	(984)
Year ended 30 June 2023	
Estimates of present value of future cash inflows	291,236
Estimates of present value of future cash outflows	(290,307)
Risk adjustment for non-financial risk	4,905
Income recognised on initial recognition	(2)
	5,832
Contractual service margin	5,832

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 Insurance contracts and reinsurance contracts held (Continued)

(c) Analysis of contractual service margin

The following table illustrates when the Group expects to recognise the remaining contractual service margin as revenue for contracts not measured under the PAA.

	Five year or less HK\$'000	After five years through ten years HK\$'000	After ten years HK\$'000	Total HK\$'000
30 June 2024				
Insurance contracts	3,798,931	1,985,814	2,574,468	8,359,213
Reinsurance contracts held	(132,677)	(62,077)	(9,157)	(203,911)
30 June 2023				
Insurance contracts	3,304,003	1,732,522	2,155,531	7,192,056
Reinsurance contracts held	(32,248)	(22,209)	(64,518)	(118,975)

(d) Underlying items of contracts with direct participation features

The following table sets out the composition and carrying amount of the underlying items of the Group's contracts with direct participation features at the reporting date.

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Investment properties	12	681,600	707,600
Financial investments measured at FVPL		56,883,275	49,244,577
Investments related to unit-linked contracts	20	4,977,834	4,637,202
Derivative financial assets		51,671	28,560
Prepayments, deposits and other debtors		42,163	23,295
Cash and cash equivalents		4,300,913	2,748,568
Derivative financial liabilities		(48,057)	(6,014)
Secured bank loans	22(c)	(352,839)	(352,839)
Accrued expenses and other creditors		(37,081)	(48,052)
		66,499,479	56,982,897
		66,499,479	56,982,897

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20 Unit-linked investments and investment contract liabilities

Unit-linked contracts include policies with significant insurance risk accounted for as insurance contracts with direct participating features, and policies without significant insurance risk accounted for as investment contracts without DPF (note 2.4(a)). Investments backing unit-linked contracts are managed separately from other policyholder and shareholder investments, and measured at FVPL. The investment risk in respect of unit-linked investments is generally borne by unit-linked policyholders.

At the reporting date, unit-linked investments consist of the following:

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Investments related to unit-linked contracts			
- Interests in investment funds, at FVPL		9,018,045	8,924,380
- Cash balance		23,265	15,755
		9,041,310	8,940,135
		9,041,310	8,940,135
In respect of unit-linked contracts accounted for as:			
- Insurance contracts with direct participating features	19(d)	4,977,834	4,637,202
- Investment contracts without DPF		4,063,476	4,302,933
		9,041,310	8,940,135
		9,041,310	8,940,135

The cash balance included in unit-linked investments represents the amount of cash pending for trades that are expected to be executed and settled shortly after the reporting date.

Investment contract liabilities in respect of those investment contracts without DPF are stated as follows at the reporting date:

		2024 HK\$'000	2023 HK\$'000 (Restated)
Investment contract liabilities			
- Premium deposits		4,063,494	4,300,247
- Bonus and risk reserves		116,736	115,644
- Deferred acquisition cost		(598,563)	(691,188)
		3,581,667	3,724,703
		3,581,667	3,724,703

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21 Cash and cash equivalents

	2024 HK\$'000	2023 HK\$'000
Cash and bank balances	4,037,490	5,017,334
Bank deposits	2,293,791	1,310,789
	6,331,281	6,328,123
	6,331,281	6,328,123

Maturity profile of the bank deposits at the reporting date is as follows:

	2024 HK\$'000	2023 HK\$'000
With an original maturity of:		
Three months or less	2,293,791	1,310,789
	2,293,791	1,310,789
	2,293,791	1,310,789

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods between one day and three months, depending on the liquidity needs of the Group, and earn interest at the respective short term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

22 Interest-bearing liabilities

	Note	2024 HK\$'000	2023 HK\$'000
4.125% guaranteed bond	(a)	-	-
Financial reinsurance arrangement	(b)	155,928	195,221
Cash collateral received for derivative instruments (note 17)		15,421	19,868
Secured bank loans	(c)	352,839	352,839
		524,188	567,928
		524,188	567,928

(a) Guaranteed bond

There had been guaranteed bonds issued by the Group on 25 April 2013, with a coupon rate of 4.125%, and fully repaid at their redemption date, 25 April 2023. The effective interest rate of the bonds was 4.29%, and the respective interest expenses recognised in the prior year are disclosed in note 7.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Interest-bearing liabilities (Continued)

(b) Financial reinsurance arrangement

The Group has a financial reinsurance arrangement with a reinsurer with effect from 2012. Under the arrangement, up-front fees with an aggregate amount of US\$103 million (2023: US\$103 million) has been received by the Group up to the reporting date. Finance cost is charged at 90-day HIBOR plus 2.975% (2023: 90-day HIBOR plus 2.975%), on the outstanding balance determined according to the risk assumption and settlement terms under the same reinsurance agreement. The directors consider that the carrying value of the reinsurance financing approximates its fair value.

The maturity profile of the reinsurance financing is stated as below:

	2024 HK\$'000	2023 HK\$'000
Repayable within one year	155,928	81,766
Repayable after one year	-	113,455
	155,928	195,221
	155,928	195,221

(c) Secured bank loans

Secured bank loans represent two term loans from a bank, with an aggregate principal amount of HK\$352,839,000 (2023: two term loans of HK\$352,839,000), interest-bearing at HIBOR plus 0.95%, and secured by the investment properties of the Group (note 12). The loans are repayable in 35 months after utilisation. The directors consider that the carrying value of the loans approximates their fair value.

The maturity profile of the loans at the reporting date is as follows:

	2024 HK\$'000	2023 HK\$'000
Repayable after one year	352,839	352,839
	352,839	352,839
	352,839	352,839

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Interest-bearing liabilities (Continued)

(d) Reconciliation of financing cash flows with respective liabilities

Included in interest-bearing liabilities, financial reinsurance arrangement and secured bank loans, along with lease liabilities (note 24) are considered part of the Group's financing activities. Cash flows from these activities are presented as financing cash flows in the consolidated statement of cash flows.

	Borrowings HK\$'000	Lease liabilities (note 24) HK\$'000	Total HK\$'000
At 1 July 2022	2,194,277	402,318	2,596,595
Financing cash flows	(1,664,671)	(122,828)	(1,787,499)
Interest expenses (note 7)	18,454	13,767	32,221
Increase in lease liabilities from new leased properties	-	40,005	40,005
At 30 June 2023	548,060	333,262	881,322
At 1 July 2023	548,060	333,262	881,322
Financing cash flows	(71,882)	(123,002)	(194,884)
Interest expenses (note 7)	32,589	10,155	42,744
Increase in lease liabilities from new leased properties	-	5,552	5,552
Remeasurement of lease liabilities	-	(20,595)	(20,595)
At 30 June 2024	508,767	205,372	714,139

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 Accrued expenses and other creditors

	2024 HK\$'000	2023 HK\$'000 (Restated)
Commission payable	1,649	2,487
Lease liabilities (note 24)	205,372	333,262
Other payables and accruals	396,675	360,937
	<u>603,696</u>	<u>696,686</u>

The maturity profile of the accrued expenses and other creditors is stated as below:

	2024 HK\$'000	2023 (Restated) HK\$'000
Payable within one year	462,518	426,157
Payable after one year	141,178	270,530
	<u>603,696</u>	<u>696,687</u>

The director considers that the carrying amounts of accrued expenses and other creditors approximate their fair values at year end. Accrued expenses and other creditors are non-interest bearing.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the reporting date:

	2024		2023	
	Present value of the lease payments HK\$'000	Total lease payments HK\$'000	Present value of the lease payments HK\$'000	Total lease payments HK\$'000
Within 1 year	92,346	98,310	111,276	121,725
After 1 year but within 2 years	54,926	58,218	103,466	109,726
After 2 year but within 3 years	50,538	51,748	56,465	59,902
After 3 year but within 4 years	7,562	7,619	53,966	55,273
After 4 year but within 5 years	-	-	8,089	8,146
After 5 years	-	-	-	-
	205,372	215,895	333,262	354,772
Less: total future interest expenses	-	(10,523)	-	(21,510)
Present value of lease liabilities	205,372	205,372	333,262	333,262
Weighted average effective interest rate %	3.94%		3.63%	

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25 Share capital

	2024 US\$'000	2023 US\$'000
As at 30 June		
Authorised	700,000	700,000
	<u>700,000</u>	<u>700,000</u>
	HK\$'000	HK\$'000
Issued and fully paid:		
506,100,141 (2023: 506,100,141) ordinary shares of US\$1 each	3,938,134	3,938,134
9,000,000 (2023: 9,000,000) Class A redeemable preference shares of US\$1 each (note (i))	69,955	69,955
10,000,000 (2023: 10,000,000) Class C redeemable preference shares of US\$1 each (note (ii))	77,611	77,611
	<u>4,085,700</u>	<u>4,085,700</u>

Notes:

- (i) The Class A redeemable preference shares contain the following terms:
- (a) The Class A redeemable preference shares shall be redeemed at the option of the Company only.
 - (b) Redemption of any of the Class A redeemable preference shares shall be effected by delivery of a notice in writing from the Company, giving at least fourteen days' notice of redemption, which shall be delivered to the holder of such Class A redeemable preference shares at his address in the register of members.
 - (c) Upon redemption, the holder of the Class A redeemable preference shares shall be entitled to the par value thereof and to such premium, as the Board may in its absolute discretion think fit, subject to the provisions of the Companies Act (as defined under the memorandum of association and by-laws of the Company (the "Bye-Laws")).
 - (d) Upon redemption, the holders of the Class A redeemable preference shares shall be entitled to receive the par value thereof in priority to the holders of any other issued shares in the capital of the Company including Class B redeemable preference shares.
 - (e) Subject only to the provisions in the schedule attached to the Bye-Laws, the Class A redeemable preference shares shall rank pari passu with and have all the rights attaching to the ordinary shares of the Company.
- (ii) The Class C redeemable preference shares contain the following terms:
- (a) The Class C redeemable preference shares are subscribed at US\$25.00 per share ("Notional Amount").

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25 Share capital (Continued)

Notes: (Continued)

- (ii) The Class C redeemable preference shares contain the following terms:
(Continued)
- (b) Dividend Rights: Each holder of the Class C redeemable preference shares shall be entitled to a dividend at a fixed rate of 7.715% of the Notional Amount payable at the full discretion of the Board on a non-cumulative basis and subject to applicable laws. The declaration of dividend shall be subject to the approval of the Board every year.
 - (c) Dividends shall be paid prior and in preference to any and all other shares in the capital of the Company.
 - (d) Redemption Rights: Subject to the requirements of the Companies Act 1981 of Bermuda, the Class C redeemable preference shares shall be redeemable at the option of the Company at a redemption price equal to the Notional Amount on completion of a ten-year period from the initial issuance date of the Class C redeemable preference shares. The Company shall effect redemption upon providing fourteen days' notice in writing to each relevant holder at the address set out in the register of members of the Company. Any redemption shall be subject to the prior written consent of the Hong Kong Insurance Authority or any equivalent regulatory authority.
 - (e) Conversion Rights: Upon the Company and the holder's mutual agreement, the Class C redeemable preference shares may be converted into ordinary shares of the Company ("Ordinary Shares") at the Conversion Ratio. The initial Conversion Ratio shall be 1:1 subject to standard adjustments for sub-divisions and consolidations of the Ordinary Shares where there is no like subdivision or consolidation of the Class C redeemable preference shares such that the number of Ordinary Shares issuable on conversion of each Class C redeemable preference share will be increased or decreased in proportion to such increase or decrease of the aggregate Ordinary Shares outstanding.
 - (f) Voting: The holder(s) of the Class C redeemable preference shares shall be entitled to the notice of and to attend and, on a poll, to one vote for each Class C redeemable preference share held at all general meetings of the Company.
 - (g) Liquidation: On any liquidation of the Company or on any return of capital, the holder of the Class C redeemable preference shares shall rank pari passu with the holders of the Ordinary Shares to the surplus assets of the Company.
 - (h) Other rights: Subject to the above terms, the holder(s) of the Class C redeemable preference shares shall otherwise rank pari passu with the holder(s) of the Ordinary Shares.
- (iii) On 28 June 2024, the Company executed an undertaking under which it will obtain prior written consent from the Insurance Authority before making any declaration or payment of any dividend to the Company's shareholder(s) or effecting any reduction, buyback or redemption of issued share capital of the Company.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies

(a) Regulatory framework

The operations of the Group are subject to regulatory requirements. The Group establishes governance, systems and processes to ensure compliance with the applicable regulations.

In particular, the Company, as an insurance company incorporated in Bermuda and operating in Hong Kong, is subject to relevant insurance regulations in Bermuda and Hong Kong. The Company is required to maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and/or natural disasters.

The Bermuda Monetary Authority continues to give the Company concession to submit these consolidated financial statements in satisfaction of the Bermuda Monetary Authority's filing requirements.

(b) Capital management framework

The Group has an internal risk management framework for identifying, assessing and managing risks to which each of its business units and the Group as a whole are exposed. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests on the capital position of the business.

The Company aims at maintaining a solvency position higher than 150% of the solvency margin required by the Insurance Authority ("IA") to ensure an adequate surplus position. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group manages its capital requirements by assessing probable shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities.

The Company fully complied with capital requirements imposed by the IA during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

(c) Asset liability management ("ALM") framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. One of the main risks that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that is developed to manage the financial risks and liquidity risk taken under insurance and investment contracts within the risk appetite of the Group. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

The Group's ALM also forms an integral part of the liquidity risk management liquidity, to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(d) Insurance risk

The Group is in the business of insuring the customers against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. Insurance risk refers the risks of adverse deviations of risks assumed from expectation. It also includes changes to actuarial assumptions regarding future experience for these risks.

The Group establishes underwriting and claim practices and procedures which meet the highest industry standards, with support from reputable international reinsurers.

The Group manages impacts from the volatilities of claims and insurance risk concentration by establishing retention limits and entering into catastrophic reinsurance to limit its exposure to large claims on any single insured or event as an effective means of insurance risk mitigation. It retains a maximum of US\$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance and quota share arrangements with reputable international reinsurers. Governance process is set up to approve exceptions. The catastrophic reinsurance in place covers losses due to a single catastrophic event exceeding a predetermined level.

(i) Key assumptions

Liabilities on insurance contracts offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole of life, with fixed benefits paid upon death and surrender benefits increasing with the duration of policy.

Some plans provide for guaranteed periodic payments. Most of the whole life insurance products are entitled to annual dividends and some with terminal dividend upon policy termination. For this block of policies and also for endowment and level term products, the assumptions used for the determination of future liabilities for most products are:

	<i>For the year ended 30 June 2024</i>	<i>For the year ended 30 June 2023</i>
Mortality rate	For products with full underwriting, 81% 2018 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2.	For products with full underwriting, 85% 2018 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2.
	For products without full underwriting, 81% 2018 Hong Kong Assured Life Mortality tables for males and females.	For products without full underwriting, 85% 2018 Hong Kong Assured Life Mortality tables for males and females.
Lapse rate	Based on Group's experience	Based on Group's experience
Expense	Based on Group's experience	Based on Group's experience

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(d) Insurance risk (Continued)

(ii) Sensitivities

For the year ended 30 June 2024

		Increase / (decrease)	Increase / (decrease)
		Impact on profit before tax	Impact on total equity (before the effects of taxation)
		HK\$'000	HK\$'000
Sensitivity analysis before risk mitigation by reinsurance	10% increase in mortality rates	(30,593)	(35,737)
	10% increase in morbidity rates	(20,319)	(16,109)
	10% increase in expenses	(12,943)	(10,868)
	10% increase in lapse and surrenders rates	(72,743)	(53,200)
Sensitivity analysis after risk mitigation by reinsurance	10% increase in mortality rates	(20,830)	(36,090)
	10% increase in morbidity rates	(8,229)	(24,197)
	10% increase in expenses	(12,889)	(10,815)
	10% increase in lapse and surrenders rates	(71,367)	(53,596)

For the year ended 30 June 2023

		Increase / (decrease)	Increase / (decrease)
		Impact on profit before tax	Impact on total equity (before the effects of taxation)
		HK\$'000	HK\$'000
Sensitivity analysis before risk mitigation by reinsurance	10% increase in mortality rates	(26,174)	(21,528)
	10% increase in morbidity rates	(22,315)	(19,106)
	10% increase in expenses	(10,427)	(8,665)
	10% increase in lapse and surrenders rates	(50,018)	(23,375)
Sensitivity analysis after risk mitigation by reinsurance	10% increase in mortality rates	(15,941)	(19,525)
	10% increase in morbidity rates	(11,854)	(19,931)
	10% increase in expenses	(10,348)	(8,562)
	10% increase in lapse and surrenders rates	(48,838)	(23,199)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk of the Group mainly arises from policy loans, loans to agent, debt securities, derivative financial instruments, deposits and other debtors and cash and cash equivalents.

The Group considers the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by close monitoring against established credit policies. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets, generally on individual basis, as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are generally incorporated:

- external credit rating (if any);
- average default rate by independent external parties;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet their obligations; and
- significant actual and expected changes in the performance and behaviour of the counterparties, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. Financial assets are considered to be credit-impaired and written off when there is no reasonable expectation of recovery.

The Group limits the exposures in various asset types to pre-defined strategic asset allocation ranges. The Group also sets targets on credit limit on its fixed income portfolios. The Group mainly deals with institutions with high creditworthiness.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers that a default event occurs when the financial instrument has payment default in accordance with the terms and conditions of the agreement. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in the other comprehensive income and accumulated in the FVOCI reserve (recycling).

The Group applies a presumption that financial instruments with an investment-grade credit rating have low credit risk at the reporting date.

Basis of calculation of interest income

Interest income recognised in accordance with note 2.4(z) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is 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.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default on contractual payments or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties of the issuer;
- credit rating falls to Ca or below.

Incorporation of forward-looking adjustment ("FLA")

As an adjustment factor, the FLA considers the probability-weighted likelihood of bear case economy (10%), base case economy (80%), and bull case economy (10%), based on the latest economic scenario assessment. When estimating such a probability, an empirical study of historical economy growth based on assumed normal distribution is performed. The Group considers and applies the impact of FLA to the ECL measurement.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of certain financial assets and reinsurance contract assets of the Group, by classifying their carrying amounts according to the credit ratings of instruments or counterparties where applicable.

2024	Note	Investment grade HK\$'000	Non- investment grade HK\$'000	Total HK\$'000
Loans to agents		-	19,921	19,921
Debt securities at amortised cost		1,093,727	-	1,093,727
Debt securities at FVOCI		10,543,844	19,303	10,563,147
Debt securities at FVPL		44,549,911	74,732	44,624,643
Deposits and other debtors		22,242	183,325	205,567
Cash and cash equivalents		6,331,281	-	6,331,281
Cash in transit included in unit-linked investments	20	23,265	-	23,265
Reinsurance contract assets		254,430	-	254,430
At 30 June 2024		<u>62,818,700</u>	<u>297,281</u>	<u>63,115,981</u>
2023		Investment grade HK\$'000	Non- investment grade HK\$'000	Total HK\$'000
Loans to agents		-	38,647	38,647
Debt securities at FVOCI		9,690,935	254,374	9,945,309
Debt securities at FVPL		37,936,660	622,242	38,558,902
Deposits and other debtors		10,504	105,304	115,808
Cash and cash equivalents		6,328,123	-	6,328,123
Cash in transit related to unit-linked contracts	20	15,755	-	15,755
Reinsurance contract assets		116,819	-	116,819
At 30 June 2023 (Restated)		<u>54,098,796</u>	<u>1,020,567</u>	<u>55,119,363</u>

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Credit exposure by credit rating (Continued)

Aaa and AAA are the highest credit ratings in the Moody's and Standard and Poor's credit rating systems, respectively. The Group classifies its debt securities which are below Baa3 and BBB- in the Moody's and Standard and Poor's credit rating systems respectively as non-investment grade debt securities.

As at 30 June 2024, the amount of the non-investment grade debt securities held by the Group was approximately 0.1% of its invested assets (2023: 1.4%, restated).

Credit losses and impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, deposits and other debtors, debt securities and loans to agents); and
- debt securities measured at FVOCI.

Financial assets measured at FVPL, including equities and alternative investments, interests in investment funds and derivative financial assets, and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Measurement of ECLs (Continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Classification of financial assets by Stage 1, Stage 2 and Stage 3

Stage 1 (12-month ECL): For financial instruments without a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date, ECLs resulting from default events that are possible within 12 months after the reporting date are recognised. For the avoidance of doubt, the Group classified all financial instruments rated as investment grade are classified as Stage 1 assets.

Stage 2 (Lifetime ECL not credit-impaired): For financial instruments with a significant increase in credit risk since initial recognition and is not considered as low risk, lifetime ECLs are recognised. The Group considered non-investment grade financial assets with credit rating downgraded by 4 notches or more as a significant increase in credit risk. Besides, the Group adopted qualitative evaluation on the credit quality of assets to identify other assets with significant increase in credit risk.

Stage 3 (Lifetime ECL credit-impaired): For financial instruments that its credit risks has increased to the level where the Group will consider credit-impaired. The Group considered financial assets which have breach of financial covenants, default on contractual payments or credit rating downgraded to default rating as credit-impaired.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Classification of financial assets by Stage 1, Stage 2 and Stage 3 (Continued)

The following table set out the credit quality analysis of financial assets measured at amortised cost and debt securities measured at FVOCI. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	Investment grade			Non-investment grade			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
At 30 June 2024							
Financial assets at amortised cost							
Debt securities	1,094,207	-	-	-	-	-	1,094,207
Loans to agents	-	-	-	4,688	18,194	47,213	70,095
Deposits and other debtors	22,242	-	-	183,325	-	-	205,567
Cash and cash equivalents	6,331,281	-	-	-	-	-	6,331,281
Cash balance included in unit-linked investments	23,265	-	-	-	-	-	23,265
	<u>7,470,995</u>	<u>-</u>	<u>-</u>	<u>183,333</u>	<u>22,882</u>	<u>47,213</u>	<u>7,724,416</u>
Gross carrying amount	(481)	-	-	-	(2,961)	(47,213)	(50,655)
Less: Loss allowance							
Amortised cost	<u>7,470,514</u>	<u>-</u>	<u>-</u>	<u>188,013</u>	<u>15,233</u>	<u>-</u>	<u>7,673,760</u>
Debt securities at FVOCI							
Gross carrying amount	11,929,484	-	-	-	-	325,176	12,254,660
Less: Loss allowance	(15,655)	-	-	-	-	(309,070)	(324,725)
Amortised cost	<u>11,913,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,106</u>	<u>11,929,935</u>
Carrying amount at fair value	<u>10,543,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,303</u>	<u>10,563,147</u>

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Classification of financial assets by Stage 1, Stage 2 and Stage 3 (Continued)

	Investment grade			Non-investment grade			Total HK\$'000 (Restated)
	Stage 1 HK\$'000 (Restated)	Stage 2 HK\$'000 (Restated)	Stage 3 HK\$'000 (Restated)	Stage 1 HK\$'000 (Restated)	Stage 2 HK\$'000 (Restated)	Stage 3 HK\$'000 (Restated)	
At 30 June 2023 (Restated)							
Financial assets at amortised cost							
Loans to agents	-	-	-	-	40,826	42,448	83,274
Deposits and other debtors	10,504	-	-	105,304	-	-	115,808
Cash and cash equivalents	6,328,123	-	-	-	-	-	6,328,123
Cash balance included in unit-linked investments	15,755	-	-	-	-	-	15,755
	<u>6,354,382</u>	<u>-</u>	<u>-</u>	<u>105,564</u>	<u>40,826</u>	<u>42,448</u>	<u>6,542,960</u>
Gross carrying amount							
Less: Loss allowance	-	-	-	-	(2,179)	(42,448)	(44,627)
Amortised cost	<u>6,354,382</u>	<u>-</u>	<u>-</u>	<u>105,564</u>	<u>38,647</u>	<u>-</u>	<u>6,498,333</u>
Debt securities at FVOCI							
Gross carrying amount	11,963,776	-	-	343,340	31,725	331,415	12,670,256
Less: Loss allowance	(19,076)	-	-	(1,360)	(845)	(302,835)	(324,116)
Amortised cost	<u>11,944,700</u>	<u>-</u>	<u>-</u>	<u>341,980</u>	<u>30,880</u>	<u>28,580</u>	<u>12,346,140</u>
Carrying amount at fair value	<u>9,690,935</u>	<u>-</u>	<u>-</u>	<u>214,939</u>	<u>4,641</u>	<u>34,794</u>	<u>9,945,309</u>

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Reconciliation from opening to closing balance of loss allowance by class of instruments

The following table shows the movement of expected credit losses that have been recognised for the respective financial assets:

	2024			HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Loans to agents				
Balance as at 1 July 2023	-	2,179	42,448	44,627
Increase in loss allowance recognised in current year	-	2,439	16,183	18,622
Release of loss allowance for loans derecognised upon settlement	-	(1,658)	(1,521)	(3,179)
Written off in current year	-	-	(9,896)	(9,896)
	-	2,960	47,214	50,174
Balance as at 30 June 2024	-	2,960	47,214	50,174

	2024			HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Debt securities at FVOCI				
Balance as at 30 June 2023, restated	20,436	845	302,835	324,116
Redesignation of financial assets (note 2.4(a)(xii))	(6,575)	-	-	(6,575)
	13,861	845	302,835	317,541
Balance as at 1 July 2023	13,861	845	302,835	317,541
Increase/(decrease) in loss allowance recognised in current year	2,540	597	89,543	92,680
Transfers	(212)	(846)	1,058	-
Release of loss allowance for bonds derecognised upon settlement	(479)	(596)	(83,628)	(84,703)
Exchange realignment	(55)	-	(738)	(793)
	15,655	-	309,070	324,725
Balance as at 30 June 2024	15,655	-	309,070	324,725

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Reconciliation from opening to closing balance of loss allowance by class of instruments (Continued)

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000
Debt securities at AC				
Balance as at 30 June 2023, restated	-	-	-	-
Redesignation of financial assets (note 2.4(a)(xii))	751	-	-	751
	751	-	-	751
Balance as at 1 July 2023	751	-	-	751
Increase/(decrease) in loss allowance recognised in current year	(272)	-	-	(272)
Transfers	-	-	-	-
Release of loss allowance for bonds derecognised upon settlement	-	-	-	-
Exchange realignment	2	-	-	2
	481	-	-	481
Balance as at 30 June 2024	481	-	-	481
	2023			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000
Loans to agents				
Balance as at 1 July 2022	-	20,554	59,685	80,239
Increase in loss allowance recognised in current year	-	17,601	25,000	42,601
Release of loss allowance for loans derecognised upon settlement	-	(10,315)	(2,687)	(13,002)
Written off in current year	-	(25,661)	(39,550)	(65,211)
	-	2,179	42,448	44,627
Balance as at 30 June 2023	-	2,179	42,448	44,627

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Reconciliation from opening to closing balance of loss allowance by class of instruments (Continued)

	2023			HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Debt securities at FVOCI				
Balance as at 1 July 2022	19,668	5,907	71,608	97,183
Increase/(decrease) in loss allowance recognised in current year	1,941	4,391	221,526	227,858
Transfers	(447)	(9,454)	9,901	-
Release of loss allowance for bonds derecognised upon settlement	(953)	-	-	(953)
Exchange realignment	227	1	(200)	28
Balance as at 30 June 2023	20,436	845	302,835	324,116

(f) Liquidity risk

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

The major liquidity risks the Group confronts are the daily calls on its available cash resources in respect of benefit payments arising from insurance and investment contracts and the maturity of debt securities issued by the Group.

The Group manages liquidity through its liquidity risk policy which includes identifying, assessing, managing and monitoring of liquidity risk. Sufficient liquidity is maintained in the Group to ensure the commitments can be met as they fall due.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(f) Liquidity risk (Continued)

(i) The table below analyses financial liabilities of the Group at the reporting date into their relevant maturity groups based on their contractual undiscounted cash flows.

	Payable on demand HK\$'000	Contractual undiscounted cashflows					Total HK\$'000	Carrying amount HK\$'000
		1 year or less HK\$'000	2 years or less but >1 year HK\$'000	3 years or less but >2 years HK\$'000	4 years or less but >3 years HK\$'000	5 years or less but >4 years HK\$'000		
<i>At 30 June 2024</i>								
Investment contract liabilities	4,180,230	-	-	-	-	-	4,180,230	
Derivative financial instruments								
Trading and non-hedging instruments	-	48,601	81	-	-	-	50,213	
Hedging instruments	-	(40,692)	(405)	(409)	(4,760)	(46,266)		
- Inflow	-	40,913	349	347	4,942	311	46,862	
- Outflow	-	221	(56)	(62)	182	311	449	
Interest-bearing liabilities	-	190,584	363,746	-	-	-	554,330	
Accrued expenses and other creditors	26,292	495,405	61,116	52,425	27,696	4,500	603,696	
	4,206,522	734,811	424,887	52,363	27,878	4,500	5,451,272	
							5,358,776	

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(f) Liquidity risk (Continued)

(i) The table below analyses financial liabilities of the Group at the reporting date into their relevant maturity groups based on their contractual undiscounted cash flows. (Continued)

	Payable on demand HK\$'000	Contractual undiscounted cashflows						Carrying amount HK\$'000
		1 year or less HK\$'000	2 years or less but >1 year HK\$'000	3 years or less but >2 years HK\$'000	4 years or less but >3 years HK\$'000	5 years or less but >4 years HK\$'000	> 5 years HK\$'000	
<i>At 30 June 2023 (Restated)</i>								
Investment contract liabilities	4,415,891	-	-	-	-	-	4,415,891	4,415,891
Derivative financial instruments								
Trading and non-hedging instruments	-	9,759	495	(3)	-	-	10,251	15,925
Hedging instruments	-	(1,539)	(40,293)	-	-	-	(41,832)	(41,832)
- Inflow	-	1,613	40,500	-	-	-	42,113	42,113
- Outflow	-	74	207	-	-	-	281	63
Interest-bearing liabilities	-	104,390	421,051	61,517	-	-	586,958	567,928
Accrued expenses and other creditors	36,559	449,195	128,184	62,542	55,273	31,092	767,345	696,686
	4,452,450	563,418	549,937	124,056	55,273	31,092	5,780,726	5,696,493

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(f) Liquidity risk (Continued)

(ii) The table below presents the estimated amounts (on a discounted basis) and timing of cash flows arising from insurance contract liabilities and reinsurance contract liabilities. The Group has to meet daily calls on its cash requirements, primarily due to payments arising from its insurance and reinsurance contracts. There is therefore a risk that cash may not be available to settle liabilities when due at a reasonable cost. To manage this risk, the Group actively monitors and maintains an appropriate cash position to ensure it can meet these obligations.

At 30 June 2024	Payable on demand HK\$'000	1 year or less HK\$'000		2 years or less but >1 year HK\$'000		3 years or less but >2 years HK\$'000		4 years or less but >3 years HK\$'000		5 years or less but >4 years HK\$'000		Total HK\$'000
		1 year or less HK\$'000	1 year or less but >1 year HK\$'000	2 years or less but >1 year HK\$'000	2 years or less but >2 years HK\$'000	3 years or less but >3 years HK\$'000	3 years or less but >4 years HK\$'000	4 years or less but >5 years HK\$'000	4 years or less but >5 years HK\$'000			
Insurance contract liabilities	55,146,101	(405,962)	(2,920,613)	(1,996,247)	(885,156)	1,809,842	60,569,436	56,171,300				
Reinsurance contract liabilities	-	(79,774)	23,575	21,584	10,913	20,347	254,287	250,932				
	55,146,101	(485,736)	(2,897,038)	(1,974,663)	(874,243)	1,830,189	60,823,723	56,422,232				
At 30 June 2023 (Restated)	Payable on demand HK\$'000	1 year or less HK\$'000		2 years or less but >1 year HK\$'000		3 years or less but >2 years HK\$'000		4 years or less but >3 years HK\$'000		5 years or less but >4 years HK\$'000		Total HK\$'000
Insurance contract liabilities	50,455,559	1,549,119	(1,540,559)	(717,454)	(33,451)	825,050	48,431,720	48,514,425				
Reinsurance contract liabilities	-	(119,664)	22,743	19,856	18,590	7,950	234,298	183,773				
	50,455,559	1,429,455	(1,517,816)	(697,598)	(14,861)	833,000	48,666,018	48,698,198				

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(g) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk) and other factors, whether such changes in price are caused by factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. These risks are discussed in the following sections:

(i) Currency risk

It is the Group's policy to manage the mismatch of its assets and liabilities' exposure to currency within a reasonable range. The Group sells policies mostly denominated in Hong Kong dollars and United States dollars and its assets are appropriately invested to meet these liabilities. The Hong Kong dollar is pegged to the United States dollar. Management believes that this peg will continue in the near future. Nevertheless, management has hedged a significant portion of the currency risk between United States dollar and Hong Kong dollar, and will monitor the situation closely and take appropriate actions when necessary. At the reporting date, the Group had 1.51% (2023: 0.30%) of its investments and cash and cash equivalents denominated in currencies other than the United States dollar and Hong Kong dollar.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of financial instruments which will fluctuate because of changes in market interest rates.

The Group's asset and liability management policy requires it to manage the interest rate risk by matching the assets with the liabilities, through various means including managing the effective duration of interest rate sensitive financial assets and financial liabilities.

The following table shows the sensitivities result to interest rate movements to the Group.

For the year ended 30 June 2024

		Increase / (decrease)	Increase / (decrease)
		Impact on profit before tax	Impact on total equity (before the effects of taxation)
		HK\$'000	HK\$'000
Sensitivity analysis before risk mitigation by reinsurance	+ 50 bps shift in yield curves	52,501	(503,060)
	- 50 bps shift in yield curves	(51,366)	511,073
Sensitivity analysis after risk mitigation by reinsurance	+ 50 bps shift in yield curves	52,501	(503,060)
	- 50 bps shift in yield curves	(51,365)	511,073

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(g) Market risk (Continued)

(ii) Interest rate risk (Continued)

For the year ended 30 June 2023

		Increase / (decrease)	Increase / (decrease)
		Impact on profit before tax	Impact on total equity (before the effects of taxation)
		HK\$'000	HK\$'000
Sensitivity analysis before risk mitigation by reinsurance	+ 50 bps shift in yield curves	46,162	(650,223)
	- 50 bps shift in yield curves	(52,940)	664,530
Sensitivity analysis after risk mitigation by reinsurance	+ 50 bps shift in yield curves	46,162	(650,223)
	- 50 bps shift in yield curves	(52,940)	664,530

(iii) Equity price risk

The Group's equity price risk exposure relates to financial assets and liabilities which values will fluctuate as a result of changes in market prices of individual instruments and of any underlying investment portfolio, principally in relation to investment securities not held for the account of unit-linked business.

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

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

For the year ended 30 June 2024

		Increase / (decrease)	Increase / (decrease)
		Impact on profit before tax	Impact on total equity (before the effects of taxation)
		HK\$'000	HK\$'000
Sensitivity analysis before risk mitigation by reinsurance	10% increase in equity prices	73,222	153,318
	10% decrease in equity prices	(74,854)	(153,918)
Sensitivity analysis after risk mitigation by reinsurance	10% increase in equity prices	73,222	153,318
	10% decrease in equity prices	(74,854)	(153,918)

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Insurance and financial risk management objectives and policies (Continued)

(g) Market risk (Continued)

(iii) Price risk (Continued)

For the year ended 30 June 2023

		Increase / (decrease)	Increase / (decrease)
		Impact on profit before tax	Impact on total equity (before the effects of taxation)
		HK\$'000	HK\$'000
Sensitivity analysis before risk mitigation by reinsurance	10% increase in equity prices	123,244	166,642
	10% decrease in equity prices	(122,403)	(164,485)
Sensitivity analysis after risk mitigation by reinsurance	10% increase in equity prices	123,244	166,642
	10% decrease in equity prices	(122,403)	(164,485)

Note (a): Assume the movement of underlying investment portfolios that result from the changes in market prices are in line with the market indices movement.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 Contingent liabilities

At the reporting date, the Group had no material contingent liabilities and contingencies arising from the ordinary course of the Group's business.

28 Lease arrangements

(a) As lessor

The Group leases commercial investment properties (note 12) under operating lease arrangements. Details of rental income are included in note 5.2 to the financial statements. At the reporting date, there is no undiscounted lease payments receivable by the Group in future periods under noncancellable operating leases with its tenants.

(b) As lessee

The future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.4(u), and the details regarding the Group's future lease payments are disclosed in note 24.

29 Commitments

The Group had the following capital commitments at the reporting date:

	2024 HK\$'000	2023 HK\$'000
Authorised but not contracted for - an ongoing project	-	140
Contracted, but not provided for, in respect of - ongoing projects	1,255	15,361
- capital contribution of alternative investments	2,835,197	1,115,450
	2,836,452	1,130,811

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 Material related party transactions

(a) With the holding structure of the Group described in note 1, the following groups of companies are identified for the purpose of aggregating related party transactions with these holding and affiliated companies:

- NWS Group refers to NWS Holdings Limited, being an intermediate holding company of the Group, and its subsidiaries and affiliated companies.
- NWD Group refers to New World Development Company Limited, being the former ultimate holding company of the Group, and changed to fellow subsidiary of the Group subsequent to a transaction took place on 17 November 2023, and its subsidiaries and affiliated companies.
- CTF Group refers to Chow Tai Fook Capital Limited, being the ultimate holding company of the Group subsequent to the above-mentioned 17 November 2023 transaction, and its subsidiaries and affiliated companies outside the NWS Group and NWD Group.

Except as otherwise disclosed, the details of the transactions during the year and the outstanding balances at the reporting date were as follows:

	Note	2024 HK\$'000	2023 HK\$'000
NWS Group:			
Equity shares of Shoucheng Holdings held by the Group, at fair value	(i)	405,000	546,000
Dividend income from Shoucheng Holdings	(i)	26,040	32,940
Insurance premium income		1,638	1,436
Other income	(iv)	11,054	-
Other expenses	(v)	12,201	1,320
NWD Group:			
Bonds issued by NWD MTN Ltd. held by the Group, at fair value	(ii)	1,038,642	1,589,177
Interest income from the NWD MTN Ltd. bonds	(ii)	121,582	121,250
Insurance premium income		16,302	2,919
Rental income from investment properties	(iii)	21,415	21,069
Other expenses	(v)	34,501	17,514
CTF Group			
Insurance premium income		3,573	2,643
Other income	(iv)	904	-
Other expenses	(v)	6,366	773
Other related parties			
Insurance claims paid		4,585	3,493
Other expenses	(v)	1,119	1,958

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 Material related party transactions (Continued)

(a) (Continued)

Notes:

- (i) Shoucheng Holdings is an associate company of NWS Holdings Limited. Equity shares in Shoucheng Holdings held by the Group are accounted for as financial investments at FVOCI (2023: financial investments at FVPL) (note 16.1).
- (ii) NWD MTN Ltd. is a wholly owned subsidiary of New World Development Company Limited. The bonds held by the Group are accounted for as debt securities at FVPL (2023: debt securities at FVPL).
- (iii) Investment properties (note 12) held by the Group are leased to affiliated companies from NWD Group, with lease benefit guarantee undertaken by another affiliated company from the same group. The lease benefit guarantee is accounted for as debt securities at FVPL (2023: debt securities at FVPL), with carrying amount of HK\$27,600,000 (2023: HK\$36,800,000) at the reporting date.
- (iv) Other income represents mainly management expenses recharged to affiliated companies, and income recognised on sales and marketing incentive point schemes provided by affiliated companies.
- (v) The Group purchased goods and services from affiliated companies and other related parties, including medical, professional, hospitality, exhibition facility, club membership, business development, and business referral services, spanning the diverse industrial spectrum covered by the greater CTF group.

The directors consider that these transactions were conducted in the ordinary course of the Group's business and on arm's length terms.

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

	2024 HK\$'000	2023 HK\$'000
Short term employee benefits	78,797	62,189
Post-employment benefits	3,325	3,132
Total compensation	82,122	65,321

Further details of directors' emoluments are included in note 9 to the financial statements.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 Interests in structured entities

The Group has determined that the investment funds and alternative investments in private equity funds in legal forms of partnership (note 18) are structured entities. Interests held by the Group in these structured entities carry no voting or similar rights of controlling or managing the structured entities.

The Group's maximum exposure to loss arising from the interests in investment funds is limited to the carrying amount of these investment funds. Maximum exposure to loss arising from the interests in alternative investments is limited to the carrying amount of and capital commitments to these alternative investments (note 29).

32 Subsidiaries

Particulars of subsidiaries of the Company are as follows:

Name	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
FTL Capital Limited	British Virgin Islands	Ordinary US\$1	100%	-	Inactive
FTL Wealth Management (HK) Limited	Hong Kong	Ordinary HK\$650,000	100%	-	Inactive

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33 Statement of financial position of the Company

	As at 30 June 2024 HK\$'000	As at 30 June 2023 HK\$'000 (Restated)	As at 1 July 2022 HK\$'000 (Restated)
Assets			
Property, plant and equipment	233,110	370,491	447,335
Investment properties	681,600	707,600	688,879
Intangible assets	194,210	159,679	157,035
Interests in subsidiaries	650	650	650
Insurance contract assets	548,270	302,739	1,202,451
Reinsurance contract assets	254,430	116,819	140,286
Prepayments, deposits and other debtors	491,916	387,252	408,495
Loans to agents	19,921	38,647	99,645
Debt securities at amortised cost	1,093,727	-	-
Financial investments at FVOCI	11,334,199	10,396,308	11,078,143
Financial investments at FVPL	57,353,599	50,194,967	37,635,425
Investments related to unit-linked contracts	9,041,310	8,940,135	8,649,161
Derivative financial instruments	52,838	30,181	64,475
Amount due from a subsidiary	24,307	24,379	-
Cash and cash equivalents	6,313,771	6,310,529	5,576,531
Total assets	87,637,858	77,980,376	66,148,511
Liabilities			
Insurance contract liabilities	64,618,152	55,584,653	42,266,689
Reinsurance contract liabilities	5,189	17,055	112,906
Investment contract liabilities	3,581,667	3,724,703	3,818,787
Derivative financial instruments	50,662	15,988	13,705
Amount due to a subsidiary	-	-	1,952,564
Interest-bearing liabilities	524,188	567,928	282,019
Accrued expenses and other creditors	603,553	696,528	649,826
Current tax liabilities	182,145	204,364	116,992
Total liabilities	69,565,556	60,811,219	49,213,488

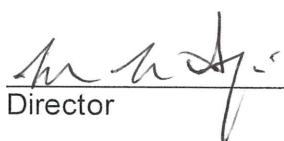
CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS


33 Statement of financial position of the Company (Continued)

	As at 30 June 2024 HK\$'000	As at 30 June 2023 HK\$'000 (Restated)	As at 1 July 2022 HK\$'000 (Restated)
Equity			
Issued capital	4,085,700	4,085,700	4,085,700
Reserves (note 34)	13,986,602	13,083,457	12,849,323
Total equity	18,072,302	17,169,157	16,935,023
Total liabilities and equity	87,637,858	77,980,376	66,148,511

Approved and authorised for issue by the board of directors on 20 September 2024.



 Director



 Director

Signed on behalf of the Board.

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Reserves of the Company

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Capital contribution reserve HK\$'000	Hedging reserve adjustment HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI reserve (recycling) HK\$'000	FVOCI reserve (non- recycling) HK\$'000	Insurance finance reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 30 June 2023, restated	4,085,700	1,862,664	1,294,135	20,615	1,614	2,555	-	(2,426,510)	(387,261)	(115,904)	12,831,549	17,169,157
Redesignation of financial assets (note 2.4(a)(xii))	-	-	-	-	-	-	-	926,593	96,000	-	(948,970)	73,623
As at 1 July 2023, restated	4,085,700	1,862,664	1,294,135	20,615	1,614	2,555	-	(1,499,917)	(291,261)	(115,904)	11,882,579	17,242,780
Changes in equity for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,071,261	1,071,261
Other comprehensive (loss)/income for the year	-	-	-	-	-	(2,221)	-	5,619	(225,360)	(21,196)	-	(243,158)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(2,221)	-	5,619	(225,360)	(21,196)	1,071,261	828,103
Transfer upon disposal of equities at FVOCI (non- recycling)	-	-	-	-	-	-	-	-	4,526	-	(4,526)	-
Recognition of equity-settled share-based payments	-	-	-	-	1,419	-	-	-	-	-	-	1,419
As at 30 June 2024	4,085,700	1,862,664	1,294,135	20,615	3,033	334	-	(1,494,298)	(512,095)	(137,100)	12,949,314	18,072,302

CHOW TAI FOOK LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Reserves of the Company (Continued)

	Issued share capital HK\$'000	Share premium account HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Capital contribution reserve HK\$'000	Hedging reserve adjustment HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI reserve (recycling) HK\$'000	FVOCI reserve (non- recycling) HK\$'000	Insurance finance reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 30 June 2022,													
previously restated	4,085,700	1,862,664	1,294,135	20,615	61,535	2,435,545	(6,470,452)	(603,078)	-	9,236,392	11,923,056		
Adoption of HKFRS 17 (note 2.2, 2.4(a)(ix))													
As at 1 July 2022, restated	4,085,700	1,862,664	1,294,135	20,615	(49,013)	(2,435,545)	4,355,727	360,612	-	2,780,186	5,011,967		
Changes in equity for the year:													
Profit for the year	-	-	-	-	-	-	-	-	-	-	853,298	853,298	
Other comprehensive (loss)/income for the year	-	-	-	-	(9,967)	(9,967)	(311,785)	(183,122)	(115,904)	-	(620,778)		
Total comprehensive (loss)/income for the year	-	-	-	-	(9,967)	(9,967)	(311,785)	(183,122)	(115,904)	1,517,450	232,520		
Transfer upon disposal of equities at FVOCI (non- recycling)	-	-	-	-	-	-	-	38,327	-	(38,327)	-		
Recognition of equity-settled share-based payments	-	-	-	1,614	-	-	-	-	-	-	1,614		
As at 30 June 2023	4,085,700	1,862,664	1,294,135	20,615	2,555	(2,426,510)	(387,261)	(115,904)	12,831,549	17,169,157			