SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

Reports and Consolidated Financial Statements
For the year ended December 31, 2023

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

REPORT OF THE DIRECTORS

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

The principal activities of Sun Life Hong Kong Limited (the "Company") are to underwrite long-term insurance business and retirement business. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The statement of profit or loss of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2023 and the financial position of the Group and the Company as at that date are set out in the consolidated financial statements on pages 11 to 16.

The directors of the Company do not recommend the payment of a dividend.

PLANT AND EQUIPMENT

Details of movements during the year in plant and equipment are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

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

REINSURANCE ARRANGEMENTS

As at December 31, 2023, the following arrangements were in effect:

Reinsurer	Line of Business	Treaty type	Retention
RGA Reinsurance Company (RGA Re)	Non Par and simplified underwritten Par policies issued on or after April 1, 2000	Quota Share	Mainly 50% of net amount at risk up to US$250,000 or US$1,000,000, varying by issue date
	Substandard lives from former CMG Asia Limited	Quota Share / Excess Surplus	Varies by mortality rating up to US$125,000
	Reversionary Bonus Par Life	Quota Share	20% of net amount at risk up to US$1,000,000
RGA International Reinsurance Company dac (RGA Int)	Critical Illness Plan	Quota Share	50% or 25% of net amount at risk up to US$1,000,000
	Non Par term and whole life policies, New business switch from RGA Re from 2016	Quota Share	50% of net amount at risk up to US$1,000,000
RGA Re RGA Int	High Net Worth Universal Life	Quota Share	50% of net amount at risk up to US$5,000,000
	Fully underwritten whole life Par policies	Quota Share	5% of net amount at risk up to US$250,000 or US$1,000,000, varying by issue date, with tail lapse risk coverage

REINSURANCE ARRANGEMENTS - continued

Reinsurer	Line of Business	Treaty type	Retention
RGA Re RGA Global Reinsurance Company Limited (RGA Global)	Reversionary Bonus Par Life	Quota Share	25% of net amount at risk up to US$1,000,000, with tail lapse risk coverage
	Critical Illness Plan	Quota Share	20% of net amount at risk up to US$1,000,000 for mortality and morbidity risks, with tail lapse risk coverage
Munich Reinsurance Company (Munich Re), Hong Kong Branch	Critical Illness Plans	Quota Share	50% of net amount at risk up to US$250,000 or US$1,000,000, varying by issue date
	Medical Reimbursement Plans	Quota Share	50% of benefits reinsured
	Group Life	Excess Surplus	HK$3,000,000 or US$390,000 per benefit
SCOR SE	High End Medical Plan	Quota Share	50% or 5% of medical benefit
	Critical Illness Plan		50% of net amount at risk up to US$2,500,000
Hannover Reinsurance Company (Hannover Re)	Basic death and attached accelerating critical illness benefit from former CMG Asia Limited	Quota Share	0% (100% benefit ceded)
Munich Re, Singapore Branch Hannover Re SCOR SE	High Net Worth Reversionary Bonus Par	Quota Share	50% of net amount at risk up to US$5,000,000

REINSURANCE ARRANGEMENTS - continued

Reinsurer	Line of Business	Treaty type	Retention
Munich Re, Singapore Branch Hannover Re Swiss Re Asia Pte. Ltd. (Swiss Re) Bermuda Branch of Sun Life Assurance Company of Canada (SLA Bermuda)	High Net Worth Reversionary Bonus Par	Quota Share / Excess Surplus	50% of net amount at risk up to US$5,000,000 Tail lapse risk coverage is added for Munich Re, Singapore Branch and SLA Bermuda
RGA Int Munich Re, Singapore Branch SLA Bermuda	Reversionary Bonus Par Life	Quota Share	About 15% of net amount at risk with up to US$600,000, with tail lapse risk coverage
Munich Re, Singapore Branch SLA Bermuda	Critical Illness Plan	Quota Share	25% or 50% of net amount at risk up to US$1,250,000 or US$2,500,000 depending on issue date, with tail lapse risk coverage
SCOR Reinsurance Company (Asia)	Old term policies	Quota Share / Excess Surplus	50% up to US$250,000 or Excess Surplus US$3,750,000
General Re Life Corporation	Female Critical Illness Plan from former CMG Asia Limited	Quota Share	20% of Sum Insured
Swiss Re	Mainly Traditional Par Pre-Demutualization Blocks, Disability Income Insurance	Quota Share / Excess Surplus	Varies depending on benefits
Transamerica Life (Bermuda) Limited	Products sold through the Direct Marketing channel	Coinsurance	70% coinsurance ceded
China Life Re	USD Endowment Plan	Coinsurance	99% coinsurance ceded

REINSURANCE ARRANGEMENTS - continued

Reinsurer	Line of Business	Treaty type	Retention
SLA Bermuda	High Net Worth Reversionary Bonus Par products Individual participating whole life and endowment product lines under Open Par block	Coinsurance	95% coinsurance ceded

SUBORDINATED LOANS

Two subordinated loans of HK$310,000,000 and HK$250,000,000 were granted by a fellow subsidiary to the Company and two subordinated loans of HK$12,500,000 and HK$10,000,000 were granted to its subsidiary, with maturity period of one year. The Company and its subsidiary have renewed the loans during the year ended December 31, 2023. Details of the subordinated loans are set out in note 26 to the consolidated financial statements.

DIRECTORS

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

Chou Chia Ling (resigned with effect from March 28, 2024)
Duarte Manuel de Frias
Stuart Edward Harrison
Lam Ka Yin
Thomas Alan Hulst
Karim Gilani

In accordance with the Company's Bye-laws, all existing directors shall serve until re-elected or their successors are appointed at the forthcoming Annual General Meeting.

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

REPORT OF THE DIRECTORS - continued

CONTROLLERS

The controllers of the Company, within the meaning of Section 9(1) of the Insurance Ordinance, during the year and up to the date of this report were:

Sun Life Financial Inc. ("SLF")
Sun Life Assurance Company of Canada
Lam Ka Yin
Kevin David Strain

DIRECTORS' AND CONTROLLERS' INTERESTS IN CONTRACTS

No contracts of significance, to which the Company, its ultimate holding company or any subsidiaries of the Company's ultimate holding company was a party and in which a director or a controller 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.

DIRECTORS' AND CONTROLLERS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company or any subsidiaries of the Company's ultimate holding company a party to any arrangements to enable the directors and controllers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

DIRECTOR
28 JUN 2024

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF SUN LIFE HONG KONG LIMITED
香港永明金融有限公司
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Sun Life Hong Kong Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 11 to 143, which comprise the consolidated and Company's statements of financial position as at December 31, 2023, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated and Company's statements of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2023, and of the Group's 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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group and the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to note 3 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the Company in complying with the provisions of the Insurance Ordinance. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the submissions by the Company to the Hong Kong Insurance Authority and the Registrar of Companies and is not intended to be, and should not be, distributed to or used by anyone for any other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report. Our opinion is not modified in respect of this matter.

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 and Those Charged with Governance 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 the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that is 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 and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

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 solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, 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 and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and the Company to cease to continue as a going concern.

TO THE DIRECTORS OF SUN LIFE HONG KONG LIMITED - continued
香港永明金融有限公司
(Incorporated in Bermuda with limited liability)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 28, 2024

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	2023	2022 (restated)
		HK$'000	HK$'000
Insurance revenue	7	2,391,297	2,005,554
Insurance service expenses	8	(1,626,026)	(1,542,312)
Reinsurance contracts held net (expenses) income	9	(36,349)	87,570
Net insurance service result		728,922	550,812
Net investment income (loss)		5,559,148	(14,603,687)
Insurance finance (expenses) income from insurance contracts issued		(5,212,828)	18,227,932
Insurance finance income (expenses) from reinsurance contracts held		405,961	(1,900,634)
Net investment result	10	752,281	1,723,611
Fee income	7	700,211	713,692
Finance costs	11	(71,528)	(20,123)
Deferred origination costs capitalised	18	128,255	165,847
Other operating expenses and staff costs	13	(1,199,341)	(1,615,273)
Share of loss of an associate	15	(46,427)	(50,827)
Profit before taxation		992,373	1,467,739
Income tax (expense) credit	12	(10,628)	29,978
Profit for the year	13	981,745	1,497,717

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTE	2023 HK$'000	2022 (restated) HK$'000
Profit for the year		981,745	1,497,717
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of:			
- available-for-sale investments		-	(921,188)
- fair value through other comprehensive income investments		158,574	-
Reclassification adjustment on disposal of:			
- available-for-sale investments		-	(27,873)
- fair value through other comprehensive income investments		26,256	-
Deferred tax arising from movement of investment revaluation reserve	28	(117,892)	156,594
Other comprehensive income (expense) for the year		66,938	(792,467)
Total comprehensive income for the year		1,048,683	705,250

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023

	NOTES	2023	2022	As at January 1, 2022 subsequent to transition
			(restated)	
		HK$'000	HK$'000	HK$'000
ASSETS				
Investment in associate	15	383,348	177,558	228,385
Plant and equipment	16	100,452	109,102	126,528
Right-of-use assets	17	199,663	292,824	374,114
Intangible assets	18	3,533,400	1,776,585	1,810,600
Reinsurance contract held assets	19	1,198,511	1,494,923	2,520,474
Insurance contract assets	19	267,497	1,605,730	1,035,720
Investments in securities	20	89,659,481	87,566,886	103,161,027
Derivative financial instruments	21	597,025	367,841	128,367
Loans receivable	22	271,574	66,670	23,439
Amounts due from fellow subsidiaries	23	63,423	43,682	41,115
Other debtors, deposits and prepayments		568,137	295,737	256,107
Tax recoverable		4,488	1,975	-
Bank balances and cash	24	5,864,546	3,983,939	2,674,044
TOTAL ASSETS		102,711,545	97,783,452	112,379,920

SUN LIFE HONG KONG LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023 - continued

	NOTES	2023	2022	As at January 1, 2022 subsequent to transition
			(restated)	
		HK$'000	HK$'000	HK$'000
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	25	3,527,525	3,527,525	3,527,525
Reserves		4,475,949	4,777,110	4,071,860
		8,003,474	8,304,635	7,599,385
SUBORDINATED LOANS	26	582,500	572,500	322,500
OTHER LIABILITIES				
Insurance contract liabilities	19	88,775,226	83,915,864	96,357,847
Reinsurance contract held liabilities	19	306,948	1,832,138	845,442
Financial liabilities from investment contracts	19(g)	471,001	551,513	5,210,521
Other creditors and accrued charges	31	2,964,756	845,845	918,930
Amount due to immediate holding company	23	93,583	40,126	38,123
Amounts due to fellow subsidiaries	23	41,626	17,755	21,513
Deferred tax liabilities	28	106,726	4,574	232,361
Derivative financial instruments	21	53,365	149,340	116,600
Financial liabilities from securities lending	6	1,101,391	1,234,278	311,705
Tax payable		2,412	6,221	18,680
Lease liabilities	30	208,537	308,663	386,313
		94,125,571	88,906,317	104,458,035
TOTAL EQUITY AND LIABILITIES		102,711,545	97,783,452	112,379,920

The consolidated financial statements on pages 11 to 143 were approved and authorised for issue by the Board of Directors on 28 JUN 2024 and are signed on its behalf by:

Lam Ka Yin	Karim Gilani	Duarte Manuel de Frias
CHIEF EXECUTIVE OFFICER & DIRECTOR	DIRECTOR	DIRECTOR

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023

	NOTES	2023	2022	As at January 1, 2022 subsequent to transition
			(restated)	
		HK$'000	HK$'000	HK$'000
ASSETS				
Interest in subsidiaries	14	317,998	1,049,415	1,155,894
Interest in an associate	15	383,348	177,558	228,385
Plant and equipment	16	100,452	109,102	126,528
Right-of-use assets	17	199,663	292,824	374,114
Intangible assets	18	3,533,400	1,776,585	1,810,600
Reinsurance contract held assets	19	1,198,511	1,494,923	2,520,474
Insurance contract assets	19	267,497	1,605,730	1,035,720
Investments in securities	20	89,639,000	86,860,703	102,360,050
Derivative financial instruments	21	597,025	367,841	127,816
Loans receivable	22	271,574	66,670	23,439
Amounts due from fellow subsidiaries	23	63,177	43,682	37,991
Amounts due from subsidiaries	23	37,443	3,382	3,086
Other debtors, deposits and prepayments		500,803	228,830	190,600
Bank balances and cash	24	5,249,815	3,368,498	2,050,422
TOTAL ASSETS		102,359,706	97,445,743	112,045,119

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023 - continued

	NOTES	2023	2022	As at January 1, 2022 subsequent to transition
			(restated)	
		HK$'000	HK$'000	HK$'000
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	25	3,527,525	3,527,525	3,527,525
Reserves		4,272,795	4,565,381	3,886,175
		7,800,320	8,092,906	7,413,700
SUBORDINATED LOANS	26	560,000	560,000	310,000
OTHER LIABILITIES				
Insurance contract liabilities	19	88,775,226	83,915,864	96,357,847
Reinsurance contract held liabilities	19	306,948	1,832,138	845,442
Financial liabilities from investment contracts	19(g)	471,001	551,513	5,210,521
Other creditors and accrued charges	31	2,843,299	743,661	803,162
Amount due to immediate holding company	23	93,583	40,126	38,123
Amounts due to fellow subsidiaries	23	38,319	13,673	17,887
Amounts due to subsidiaries	23	-	450	2,839
Deferred tax liabilities	28	106,726	4,574	232,361
Derivative financial instruments	21	53,365	146,891	115,219
Financial liabilities from securities lending	6	1,101,391	1,234,278	311,705
Tax payable		991	1,006	-
Lease liabilities	30	208,537	308,663	386,313
		93,999,386	88,792,837	104,321,419
TOTAL EQUITY AND LIABILITIES		102,359,706	97,445,743	112,045,119

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At January 1, 2022 as previously reported		3,527,525	841,838	78,185	6,160,884	10,608,432
Adjustment on initial adoption of HKFRS 17	2	-	-	-	(3,009,047)	(3,009,047)
At January 1, 2022 subsequent to transition		3,527,525	841,838	78,185	3,151,837	7,599,385
Change in fair value of available-for-sale investments		-	-	(921,188)	-	(921,188)
Reclassification adjustment on disposal of available-for-sale investments		-	-	(27,873)	-	(27,873)
Deferred tax arising from movements in investment revaluation reserve	28	-	-	156,594	-	156,594
Other comprehensive expense for the year		-	-	(792,467)	-	(792,467)
Profit for the year		-	-	-	1,497,717	1,497,717
Total comprehensive income for the year		-	-	(792,467)	1,497,717	705,250
At December 31, 2022 (restated)		3,527,525	841,838	(714,282)	4,649,554	8,304,635
Adjustment on initial adoption of HKFRS 9	2	-	-	310,555	(1,660,399)	(1,349,844)
At January 1, 2023 (restated)		3,527,525	841,838	(403,727)	2,989,155	6,954,791
Change in fair value of fair value through other comprehensive income investments		-	-	158,574	-	158,574
Reclassification adjustment on disposal of fair value through other comprehensive income investments		-	-	26,256	-	26,256
Deferred tax arising from movements in investment revaluation reserve	28	-	-	(117,892)	-	(117,892)
Other comprehensive income for the year		-	-	66,938	-	66,938
Profit for the year		-	-	-	981,745	981,745
Total comprehensive income for the year		-	-	66,938	981,745	1,048,683
At December 31, 2023		3,527,525	841,838	(336,789)	3,970,900	8,003,474

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At January 1, 2022 as previously reported		3,527,525	841,838	79,914	5,973,431	10,422,708
Adjustment on initial adoption of HKFRS 17	2	-	-	-	(3,009,008)	(3,009,008)
At January 1, 2022 subsequent to transition		3,527,525	841,838	79,914	2,964,423	7,413,700
Change in fair value of available-for-sale investments		-	-	(921,188)	-	(921,188)
Reclassification adjustment on disposal of available-for-sale investments		-	-	(27,873)	-	(27,873)
Deferred tax arising from movement of investment revaluation reserve	28	-	-	156,594	-	156,594
Other comprehensive expense for the year		-	-	(792,467)	-	(792,467)
Profit for the year		-	-	-	1,471,673	1,471,673
Total comprehensive income for the year		-	-	(792,467)	1,471,673	679,206
At December 31, 2022 (restated)		3,527,525	841,838	(712,553)	4,436,096	8,092,906
Adjustment on initial adoption of HKFRS 9	2	-	-	308,826	(1,660,399)	(1,351,573)
At January 1, 2023 (restated)		3,527,525	841,838	(403,727)	2,775,697	6,741,333
Change in fair value of fair value through other comprehensive income investments		-	-	158,574	-	158,574
Reclassification adjustment on disposal of fair value through other comprehensive income investments		-	-	26,256	-	26,256
Deferred tax arising from movement of investment revaluation reserve	28	-	-	(117,892)	-	(117,892)
Other comprehensive income for the year		-	-	66,938	-	66,938
Profit for the year		-	-	-	992,049	992,049
Total comprehensive income for the year		-	-	66,938	992,049	1,058,987
At December 31, 2023		3,527,525	841,838	(336,789)	3,767,746	7,800,320

SUN LIFE HONG KONG LIMITED
香港永明金融有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	2023	2022 (restated)
		HK$'000	HK$'000
OPERATING ACTIVITIES			
Profit before taxation		992,373	1,467,739
Adjustments for:			
Dividend income		(266,159)	(263,419)
Interest income on debt securities		(2,862,768)	(2,762,300)
Other interest income		(252,067)	(70,668)
Share of loss of an associate	15	46,427	50,827
Finance costs	11	71,528	20,123
Depreciation of plant and equipment	16	44,531	30,428
Depreciation of right-of-use assets	17	135,521	137,944
Loss on disposal of plant and equipment	13	294	-
Loss on write-off of intangible assets	18	842	13,213
Deferred origination costs addition and capitalised	18	(128,255)	(165,847)
Amortisation of intangible assets	18	327,124	202,080
Net realised and unrealised (gain) loss on investments		(2,242,725)	18,046,594
Decrease in prepayments		(55,889)	(36,557)
Operating cash flow before movements in working capital		(4,189,223)	16,670,157
Increase (decrease) in insurance contract liabilities		4,859,362	(12,441,983)
Decrease (increase) in insurance contract assets		1,338,233	(570,010)
Decrease in financial liabilities from investment contracts		(80,512)	(4,659,008)
(Decrease) increase in reinsurance contract held liabilities		(1,525,190)	986,696
Decrease in reinsurance contract held assets		828,951	1,025,551
Increase in amount due to immediate holding company		53,457	2,003
Increase in amounts due from fellow subsidiaries		(19,741)	(2,567)
Increase (decrease) in amounts due to fellow subsidiaries		23,871	(3,758)
Increase in other debtors and deposits		(216,511)	(3,073)
Increase (decrease) in other creditors and accrued charges		2,117,369	(77,636)
(Decrease) increase in derivative financial liabilities		(95,975)	32,740
Increase in derivative financial assets		(229,184)	(239,474)
(Decrease) increase in financial liabilities from securities lending		(132,887)	922,573
Cash generated from operations		2,732,020	1,642,211

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 - continued

	NOTES	2023	2022 (restated)
		HK$'000	HK$'000
Cash generated from operations		2,732,020	1,642,211
Income tax paid		(50,848)	(43,867)
NET CASH FROM OPERATING ACTIVITIES		2,681,172	1,598,344
INVESTING ACTIVITIES			
Dividends and interest received on investments in securities		3,128,927	2,980,019
Other interest received		252,067	70,668
Increase in loans receivable		(204,904)	(43,231)
Purchase of investments in securities		(17,228,355)	(10,473,670)
Proceeds on disposal of investments in securities		15,663,193	7,106,075
Purchase of plant and equipment	16	(36,175)	(13,002)
Purchase of intangible assets	18	(1,956,526)	(15,431)
Capital injection in an associate	15	(252,217)	-
Decrease (increase) in fixed time deposits with original maturity over three months	24	153,943	(109,945)
NET CASH USED IN INVESTING ACTIVITIES		(480,047)	(498,517)
FINANCING ACTIVITIES			
New subordinated loan raised	34	10,000	250,000
Payments of lease liabilities	34	(151,845)	(139,538)
Interest paid on subordinated loans	34	(24,730)	(10,339)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(166,575)	100,123
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,034,550	1,199,950
CASH AND CASH EQUIVALENTS AT JANUARY 1		3,829,996	2,630,046
CASH AND CASH EQUIVALENTS AT DECEMBER 31		5,864,546	3,829,996
Comprising:			
Cash at bank and in hand	24	5,028,670	3,397,980
Fixed time deposits with original maturity within three months when acquired	24	835,876	432,016
		5,864,546	3,829,996

1. GENERAL

The Company is an exempted company incorporated under the laws of the Islands of Bermuda with limited liability. Its immediate holding company is Sun Life Assurance Company of Canada ("Sun Life Assurance"), incorporated in Canada, and its ultimate holding company is Sun Life Financial Inc., incorporated and listed in Canada. The addresses of the registered office and principal place of business of the Company are Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, Bermuda and 16th Floor, Cheung Kei Center Tower A, No. 18 Hung Luen Road, Hunghom, Kowloon, Hong Kong respectively.

The Company continues to be engaged in underwriting long term insurance business and retirement business in Hong Kong. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the consolidated financial statements.

The consolidated financial information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all of its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group and the Company have applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2023 for the preparation of the consolidated financial statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
HKFRS 9	Financial Instruments
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except the application of HKFRS 17 *Insurance Contracts* as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's and Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 17 (including the October 2020 and February 2022 Amendments) *Insurance Contracts*

The Group and the Company have applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 defines an insurance contract as a contract under which the Group and the Company accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 *Extension of the Temporary Exemption from HKFRS 9* that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after January 1, 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information* to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 17 (including the October 2020 and February 2022 Amendments) *Insurance Contracts* - continued

Changes to classification and measurement

The adoption of HKFRS 17 did not change the classification of the Group and the Company's insurance contracts.

HKFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group and the Company.

The key principles of HKFRS 17 are that the Group and the Company:

- identify insurance contracts as those under which the Group and the Company accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

- separate specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and account for them in accordance with other standards.

- divide the insurance and reinsurance contracts into groups they will recognise and measure.

- recognise and measure groups of insurance contracts at:

    - a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information plus;

    - an amount representing the unearned profit in the group of contracts (the contractual service margin or "CSM")

- recognise profit from a group of insurance contracts over each period the Group and the Company provide insurance contract services, as the Group and the Company are released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group and the Company recognise the loss immediately.

- recognise an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

The Group and the Company's classification and measurement of insurance and reinsurance contracts are explained in notes 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 17 (including the October 2020 and February 2022 Amendments) *Insurance Contracts* - continued

Changes to presentation and disclosure

For presentation in the statement of financial position, the Group and the Company aggregates portfolios of insurance contracts issued and reinsurance contracts held and presents separately:

- portfolios of insurance contracts issued that are assets
- portfolios of reinsurance contracts held that are assets
- portfolios of insurance contracts issued that are liabilities
- portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the HKFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously the Group and the Company reported the following line items:

- Gross written premiums
- Reinsurance premiums ceded
- Claims, surrenders and maturities, policyholders' dividends
- Change in insurance funds
- Commission expenses
- Reinsurance coverable
- Reinsurance commission recoverable

Instead, HKFRS 17 requires separate presentation of:

- insurance revenue
- insurance service expenses
- net expenses from reinsurance contracts held
- net finance income or expenses from insurance contracts
- net finance income or expenses from reinsurance contracts held

The Group and the Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- amounts recognised in its financial statements from insurance contracts
- significant judgements, and changes in those judgements, when applying the standard

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 17 (including the October 2020 and February 2022 Amendments) *Insurance Contracts* - continued

Transition

On transition date, January 1, 2022, the Group and the Company:

- identified, recognised and measured each group of insurance contracts as if HKFRS 17 had always applied, unless impracticable;
- identified, recognised and measured assets for insurance acquisition cash flows as if HKFRS 17 had always applied;
- derecognised any existing balances that would not exist had HKFRS 17 always applied. These included insurance receivables and payables, policy loans and their accrued interest income and provisions that are attributable to existing insurance contracts, etc. Under HKFRS 17, these are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity.

Full retrospective approach

On transition to HKFRS 17, the Group and the Company has applied the full retrospective approach unless impracticable to apply the full retrospective approach for some groups of contract because certain historical information was not available or was not available without due cost or effort.

The Group and the Company has applied the full retrospective approach on transition to all contracts issued on or after January 1, 2022. For certain groups of contracts issued prior to January 1, 2022, the fair value approach was applied.

Fair value approach

The Group and the Company have applied the fair value approach on transition for certain groups of contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable because certain historical information was not available or was not available without undue cost or effort that would enable it to be used under this approach. The Group and the Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Group and the Company has applied the requirements of HKFRS 13 *Fair Value Measurement*, except for the demand deposit floor requirement.

The Group and the Company has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 17 (including the October 2020 and February 2022 Amendments) *Insurance Contracts* - continued

Fair value approach - continued

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

- identify groups of insurance contracts;

- determine whether any contracts are direct participating insurance contracts and investment contracts with discretionary participating features ("DPF"); and

- identify any discretionary cash flows for insurance contracts without direct participation features

The discount rate for the group of contracts applying the fair value approach was determined at the transition date. The discount curve was established as at the transition date, and became the locked-in discount curve for the group going forward, as the fair value method was applied.

The Group and the Company has not elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income.

Under the fair value approach, the CSM at transition for a group of insurance contracts is equal to the fair value of the group of insurance contracts less the FCF measured using HKFRS 17. The fair value of a group of insurance contracts is the amount that a market participant would require to take over the obligations of the group of insurance contracts.

Impacts on the application of HKFRS 9 *Financial Instruments*

HKFRS 9 replaced HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018. However, the Group and the Company elected, under the amendments to HKFRS 4 to apply the temporary exemption from HKFRS 9, deferring the initial application date of HKFRS 9 to align with the initial application of HKFRS 17.

The Group and the Company have adopted HKFRS 9, which includes guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting, and does not require restatement of comparative periods.

The nature of the changes in accounting policies are summarised, as follows:

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 9 *Financial Instruments* - continued

Changes to classification and measurement

HKFRS 9 includes three principal classification categories for financial assets: i) amortised cost, ii) fair value through other comprehensive income ("FVOCI") and iii) fair value through profit or loss ("FVTPL"). The classification of financial assets under HKFRS 9 is generally based on i) the business model in which a financial asset is managed and ii) its contractual cash flow characteristics, except that an entity may irrevocably designate a financial asset that would have otherwise been measured in another category at FVTPL. HKFRS 9 eliminates the previous HKAS 39 classification categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of HKFRS 9 are not separated but is assessed for classification as a whole.

For an explanation of how the Group and the Company classifies and measures financial assets and accounts for related gains and losses under HKFRS 9, see note 3.

Application of HKFRS 9 did not have a significant effect on the Group's and the Company's accounting policies for financial liabilities.

Changes to the impairment of financial assets

HKFRS 9 replaces the 'incurred loss' model in HKAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to debt instruments measured at amortised cost or FVOCI. Under HKFRS 9, credit losses are recognised earlier than under HKAS 39 (see note 3).

Transition

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

- The comparative period has not been restated. As permitted under HKFRS 17, the Company has elected to apply classification overlay in the comparative period presented. The classification overlay has been applied to all financial assets that had been derecognised before January 1, 2023 based on how those assets are expected to be classified on initial adoption of HKFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Company has applied the impairment requirements of HKFRS 9; and

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 9 *Financial Instruments* - continued

Transition - continued

- The following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2023:

    - The determination of business model within which a financial asset is held.

    - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.

- If a financial asset had low credit risk at January 1, 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by HKFRS 7, the Company has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of HKFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of HKAS 39 for 2023.

Details of the changes and implications resulting from the adoption of HKFRS 9 are presented as follows.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

(a) Impact of applying the classification overlay on January 1, 2023

A reconciliation between the carrying amounts under HKAS 39 to the balances reported under HKFRS 9 for the Company as of initial application date January 1, 2023 is, as follows:

HK$'000	Classification category		HKAS 39 as at		HKFRS 9 as at
	HKAS 39	HKFRS 9	December 31, 2022	Impact of overlay	January 1, 2023
Financial assets with transitional impact:					
Debit securities	HTM	FVOCI	422,105	56,915	479,020
Debit securities	AFS	FVOCI	3,713,961	-	3,713,961
Debit securities	AFS	FVTPL	2,214,343	-	2,214,343 [1]
Debit securities	FVTPL	FVOCI	60,575	-	60,575 [2]
Corporate loans	Amortised cost	FVTPL	12,751,888	(1,900,985)	10,850,903 [3]
Corporate loans	Amortised cost	FVOCI	177,992	(38,313)	139,679 [4]
Equity Securities	AFS	FVTPL	10,771	-	10,771 [5]
Other financial invested assets	AFS	FVTPL	510,717	-	510,717 [5]
Financial assets with no transitional impact:					
Debit securities	FVTPL	FVTPL	41,904,165	-	41,904,165
Equity Securities	FVTPL	FVTPL	10,080,430	-	10,080,430
Other financial invested assets	FVTPL	FVTPL	14,427,428	-	14,427,428
Total			86,274,375	(1,882,383) [6]	84,391,992

(1) Certain debt securities were classified as AFS under HKAS 39 are reclassified to FVTPL under HKFRS 9, primarily because doing so can eliminate or significantly reduce an accounting mismatch.

(2) Certain debt securities previously designated at FVTPL under HKAS 39 are reclassified to FVOCI under HKFRS 9 as they are managed within a business model of collecting contractual cash flows and selling the financial assets and pass the SPPI test.

(3) Certain corporate loans were classified as loans and receivables under HKAS 39 are reclassified to FVTPL under HKFRS 9, primarily because doing so can eliminate or significantly reduce an accounting mismatch. The carrying value of these mortgages and loans was adjusted to reflect their fair value with the difference recorded in retained earnings.

(4) Certain corporate loans were classified as loans and receivables under HKAS 39 are reclassified to FVOCI under HKFRS 9 as they are held within a business model of collecting contractual cash flows and selling the financial assets and pass the SPPI test.

(5) Certain equity securities and other financial invested assets were classified as AFS under HKAS 39 are reclassified to FVTPL under HKFRS 9 and we have not elected to designate them at FVOCI.

(6) Apart from the impact over above-mentioned financial assets, the initial adoption of HKFRS 9 also affected the funds withheld account assets under the co-insurance with the Company's immediate holding company in respect of High Net Worth and Open Par portfolio, with 95% quota share of the Ceding Company's investment income. The corresponding remeasurement impact amounted to HK$532 million gain, which is embedded and presented in both consolidated statement of changes in equity and statement of changes in equity.

(b) Impairment of financial assets

The following table reconciles the loss allowance under HKAS 39 as at December 31, 2022 with the allowance for ECL under HKFRS 9 as at January 1, 2023.

HK$'000	HKAS 39 as at December 31, 2022	Remeasurement	HKFRS 9 as at January 1, 2023
Debt securities at FVOCI under HKFRS 9:			
From AFS under HKAS 39	-	11,587	11,587
From FVTPL under HKAS 39	-	86	86
Corporate loans at FVTPL under HKFRS 9:			
From loans and receivables under HKAS 39	1,023	(1,023)	-
Corporate loans at FVOCI under HKFRS 9:			
From loans and receivables under HKAS 39	-	909	909
Total assets	1,023	11,559	12,582

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on the application of HKFRS 17 *Insurance Contracts*

Due to the adoption of HKFRS 17, key financial items on our consolidated statements of financial position were impacted as follows:

HK$'000	As at January 1, 2022	HKFRS 17 adjustments	As at January 1, 2022, subsequent to transition
Invested and other assets [1]	109,806,940	(983,214)	108,823,726
Policy loans [1]	729,912	(729,912)	-
Reinsurance contract held assets and insurance contract assets [2]	12,318,823	(8,762,629)	3,556,194
Total assets	122,855,675	(10,475,755)	112,379,920
Insurance contract liabilities and reinsurance contract held liabilities [3]	86,613,780	10,589,509	97,203,289
Financial liabilities from investment contracts	5,210,521	-	5,210,521
Other liabilities [1]	20,422,942	(18,056,217)	2,366,725
Total liabilities	112,247,243	(7,466,708)	104,780,535
Total equity	10,608,432	(3,009,047)	7,599,385
Total liabilities and equity	122,855,675	(10,475,755)	112,379,920

(1) Certain balances, such as policy loans and amounts related to premiums, that were previously presented separately or included in other assets and other liabilities, are included in the assets or liabilities for insurance contracts issued or reinsurance contracts held balances under HKFRS 17.

(2) Decrease primarily due to HKFRS 17 remeasurement impacts and a requirement to present insurance contract assets and reinsurance contract held liabilities separately from insurance contract liabilities and reinsurance contract held assets.

(3) Increase in insurance contract liabilities and reinsurance contract held liabilities balances is primarily due to HKFRS 17 remeasurement impacts, partially offset by HKFRS 17 reclassification impacts. Remeasurement impacts are primarily due to the establishment of CSM of HK$6,945 million, the impact of discount rate changes under HKFRS 17, and the release of certain reserves held under HKFRS 4. Reclassification impacts are primarily offset in policy loans and investment contract liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Impacts on application of Amendments to HKAS 1 and HKFRS Practise Statement 2 *Disclosure of Accounting Policies*

The Group and the Company have applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's and the Company's financial positions and performance but has affected the disclosure of the Group's and the Company's accounting policies set out in note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group and the Company have not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after January 1, 2024.
[3] Effective for annual periods beginning on or after January 1, 2025.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on this consolidated financial statements in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosures required by the Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, for insurance and reinsurance contracts that are measured using estimates of future cash flows, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services when they are purchased.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interest in subsidiaries

Interest in subsidiaries, other than subsidiary that is an investment fund, is included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries other than investment fund are accounted for by the Company on the basis of dividends received or receivable.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Interest in an associate

An associate is an entity over which the Group and the Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the interest in an associate, any excess of the cost of the investment over the Group's and the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of investment. Any excess of the Group's and the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Goodwill

Goodwill arising on an acquisition of a subsidiary is carried at cost as established at the date of the acquisition of the subsidiary less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment before the end of that reporting period. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Goodwill - continued

On disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal. The Group's and Company's policy for goodwill arising on the acquisition of an associate is described above.

Revenue recognition under HKFRS 15

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recognised using the effective interest method which is described in more detail below.

Dividend income from investments is recognised when the Group's and the Company's rights to receive payment have been established.

Realised gains or losses on disposal of investments in securities are recognised on a trade date basis.

Revenue from contracts with customers

The Group and the Company recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- the Group's and the Company's performance create or enhances an asset that the customer controls as the Group and the Company perform; or
- the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Company, and the Group and the Company have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Revenue from contracts with customers - continued

A contract asset represents the Group's and the Company's right to consideration in exchange for goods or services that the Group and the Company have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's and the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's and the Company's obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Investment contract fees charged for managing investments are recognised as revenue as the services are provided. Given these services are rendered uniformly over time and are directly proportionate to the amount of assets under management the revenue is recognised as a stable percentage of assets under management over the period. The Group and the Company provide these services for investment contracts without DPF which combine a financial instrument and an investment management service obligation and for Mandatory Provident Fund ("MPF") contracts which are pure investment management service contracts.

Trustee fee income is recognised at a certain percentage of the daily net asset values of the funds for which the Group acts as a trustee.

Asset management fee income is generally recognised at a certain percentage of the adjusted daily net asset values of the funds under management.

Plant and equipment

Plant and equipment are tangible assets that are held for use in production or supply of services or for administrative purposes. Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in the profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Intangible assets

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Intangible assets - continued

Deferred Origination Costs ("DOC")

Incremental costs of obtaining a contract

Origination costs are the incremental costs which are directly attributable to securing an investment management contract. The MPF contracts and the contracts that involve the provision of investment management services recognise DOC assets in accordance with HKFRS 15. The origination costs include commissions, and other incremental costs that are directly attributable to securing an investment management contract. An incremental cost is one that would not have been incurred if the entity had not secured the investment management contract. Origination costs on contracts with investment management services are deferred for one portfolio of contracts as set out in note 18.

The Group and the Company recognise such costs (sales commissions and other distribution costs) as an asset if the Group and the Company expect to recover these costs and those costs are essential to incur in order to obtain a contract with customer under HKFRS 15. The recognised asset is subsequently amortised to profit or loss in line with the revenue recognition from the provision of investment management services over time.

Impairment of non-financial assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group and the Company review the carrying amounts of non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated and Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss "FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Financial assets at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities mandatorily classified as at fair value through profit or loss; and
- financial assets or liabilities designated at fair value through profit or loss upon initial recognition.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis, including among others debt securities held in participating funds and other participating business with distinct portfolios.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Dividend income from equity instruments measured at fair value through profit or loss is recognised in other investment return in the consolidated income statement, generally when the security becomes ex-dividend. Interest revenue is recognised on an accrued basis. For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

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

Financial assets at fair value through other comprehensive income

These principally consist of the Group's debt securities (other than those backing participating funds, other participating business with distinct portfolios and unit-linked contracts). These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised. Interest revenue is recognised in investment return in the consolidated income statement using the effective interest method.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement as other investment return. For impairments, reference is made to the section "Impairment of financial assets".

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Financial assets at fair value through other comprehensive income - continued

Changes in the fair value of securities, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income. Impairment losses and relevant foreign exchange gains and losses are recognised in the consolidated income statement.

Subsequent measurement

Equity securities, debt securities, mortgages and loans, that are classified or designated at FVTPL are recorded at fair value in the consolidated and Company's Statements of Financial Position, and gains or losses, including interest income, dividend income and foreign exchange gains and losses, are recognised in Net investment income (loss) in the consolidated and Company's Statements of profit or loss.

Debt securities and mortgages and loans that are classified as FVOCI are recorded at fair value. Interest income, foreign exchange gains (losses), and impairment are recognised in Net investment income (loss) in the consolidated Statements of profit or loss. Other gains or losses are recognised in OCI.

Other financial invested assets include investments in limited partnerships, segregated funds, mutual funds, that are classified as FVTPL. These financial assets are recorded at fair value, and gains or losses are recognised in Net investment income (loss) in the consolidated Statements of profit or loss.

Cash equivalents are highly liquid instruments with a term to maturity of three months or less. Cash equivalents are classified as FVTPL and the fair values are assumed to approximate their carrying values, due to their short-term nature or because they are frequently repriced to current market rates. Short-term securities are those that have a term to maturity exceeding three months but less than one year. The fair value of short-term securities is approximated by their carrying amount.

Derecognition

Financial assets are derecognised when our contractual rights to the cash flows of the financial asset have expired, or when we transfer the rights to receive contractual cash flows and substantially all the risks and rewards of owning the financial assets have been transferred. When we neither retain nor transfer substantially all the risks and rewards of ownership, the financial assets are derecognised if control over the financial assets have been relinquished. If we retain control of the financial assets, we continue to recognise the transferred assets to the extent of our continuing involvement.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Derecognition - continued

When financial assets are derecognised, the difference between the carrying amount and the consideration received on the date of derecognition is recognised in Net investment income (loss) in the consolidated Statements of profit or loss. For debt securities at FVOCI, the cumulative gains (losses) previously recognised in OCI are reclassified to Net investment income (loss) in the consolidated Statements of profit or loss. For equity investments designated at FVOCI, the cumulative gains (losses) previously recognised in OCI are not reclassified to income.

Impairment

We establish an allowance for expected credit losses ("ECL") for financial assets not classified or designated at FVTPL. The allowance for ECL on financial assets measured at FVOCI, including debt securities and mortgages and loans, does not reduce the carrying amount of the assets in the Consolidated and the Company's Statements of Financial Position, which remains at fair value. Rather, an amount equal to the allowance for ECL that would arise if the assets were measured at amortised cost is recognised in OCI, with changes in the allowance for ECL recognised in Provision for credit losses in Net investment income (loss) in the consolidated Statements of profit or loss.

At the end of each reporting period, we apply a three-stage impairment approach to measure the ECL on financial assets measured at FVOCI:

- Stage 1: For financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, a loss allowance equal to the credit losses expected to result from default events occurring over the 12 months following the reporting date is recognised.
- Stage 2: For financial assets that have experienced a significant increase in credit risk since the date of initial recognition, a loss allowance equal to the credit losses expected to result from default events occurring over the remaining lifetime of the financial asset is recognised.
- Stage 3: When a financial asset is considered to be credit-impaired, a loss allowance equal to the ECL over the remaining lifetime of the financial asset is recognised. Interest income is calculated based on the carrying amount of the asset, net of the loss allowance.

We monitor all financial assets that are subject to impairment for significant increase in credit risk. In making this assessment, we consider 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment - continued

Significant increase in credit risk

The assessment of significant increase in credit risk requires judgment. We assign counterparties a relevant internal credit risk rating grade depending on their credit quality. Changes in borrower-specific internal risk ratings is a primary indicator of significant increase in credit risk.

At each reporting date, movements between Stage 1 and Stage 2 are determined based on whether an instrument's internal rating as at the reporting date has increased (decreased) significantly relative to the date it was initially recognized. We assess whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. Unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due or moved to Watch List status and such assets are automatically migrated to Stage 2. Exposures are classified as "Watch List" when there is a moderate deterioration in credit quality, but the full payment of principal and interest is still expected to be collected, or there is an increased possibility of the exposure being impaired in the near term. No impairment charge is recorded for unrealized losses on assets related to these debtors.

Incorporation of forward-looking information

The measurement of ECL for each stage and the assessment of significant increase in credit risk considers future events and economic conditions. The probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") inputs used to estimate allowance for ECL are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Our estimation of ECL is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios (base case, upside and downside) and probability weights are attributed to each scenario. All scenarios considered are applied to all portfolios subject to ECL with the same probabilities. Our assessment of significant increase in credit risk is based on changes in internal rating as at the reporting date.

We subscribe to Moody's Analytics economic forecasting services and leverage its forward-looking macroeconomic information to model ECL.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment - continued

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies in this note.

If modification does not result in derecognition, the financial asset continues to be subject to the assessment for significant increase in credit risk relative to initial recognition. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, such loans can revert to having 12-month ECLs if the borrower's financial condition that led to it being identified as credit-impaired are no longer present.

Definition of default

The definition of default used in the measurement of ECL is consistent with the definition of default used for our internal credit risk management purposes. We consider a financial asset to be in default when the issuer is unlikely to meet its credit obligations in full, without recourse action on our part, or when the financial asset is 90 days past due. Our definition of default may differ across financial assets and consider qualitative factors, such as the terms of financial covenants, breaches of such covenants, and other indicators of financial distress, as well as quantitative factors, such as overdue status and non-payment of other obligations under the same issuer. We use internally developed data and those obtained from external sources when assessing default.

Credit-impaired financial assets (Stage 3)

At each reporting date, we assess whether financial assets measured at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. If a financial asset is credit-impaired, interest income is calculated based on the carrying amount of the asset, which is net of the allowance for ECL, rather than on the gross carrying amount.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Financial assets - continued

Impairment - continued

Write-off of financial assets

The gross carrying amount of a financial asset, and the related allowance for ECL, 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 we determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with procedures for recovery of amounts due.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group and the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including amounts due to immediate holding company/fellow subsidiaries, other creditors and subordinated loans are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Derecognition

The Group and the Company derecognise a financial liability when, and only when, the Group's and the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate and foreign exchange swap contracts and forward foreign exchange contracts to hedge the risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are recognised on a trade date basis and are initially measured at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Financial liabilities from securities lending

Financial assets transferred as collateral in connection with securities lending agreements are not derecognised. They continue to be retained in the statement of financial position, and the consideration received is recorded as a financial liability.

Insurance and reinsurance contracts

Classification

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance and reinsurance contracts also expose the Company to financial risk.

Insurance contracts may be issued and reinsurance contracts may be purchased by the Company. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued or purchased by the Company, unless otherwise stated.

For any contracts entered into by the Company that have the legal form of insurance contracts but do not transfer significant insurance risk, these contracts are classified as financial liabilities and are referred to as 'investment contracts'.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Classification - continued

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

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment contracts with DPF

The Company measure these contracts applying the variable fee approach ("VFA").

Combination and Separation of Contracts

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

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract or a reinsurance contract held as a stand-alone instrument; and

- distinct investment components - i.e. investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Level of aggregation and recognition

Insurance contracts

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 annual cohort and each annual cohort into three groups based on the profitability of contracts:

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Level of aggregation and recognition - continued

Reinsurance contracts held

Reinsurance contracts held by the Company cover underlying insurance contracts. The reinsurance contracts held portfolios are divided into:

- reinsurance contracts that are onerous at initial recognition. Onerous contracts are those where the present value of the expected cashflows plus the risk adjustment for non-financial risk exceeds the carrying amount of the group of underlying insurance contracts;

- all other reinsurance contracts that are not classified as onerous at initial recognition.

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

- Reinsurance contracts held that provide proportionate coverage: generally later of the beginning of the coverage period of the group of reinsurance contracts held, or the date on which any underlying insurance contract is initially recognised. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date.

- Other reinsurance contracts held: The beginning of the coverage period of the group of reinsurance contracts held.

Fulfilment cash flows and contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:

- present value of future cash flows (including the provisions for financial risk);

- 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.

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in note 18.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Fulfilment cash flows and contract boundaries - continued

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

In respect of insurance contracts, cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or

- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and

- the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

In respect of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

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

- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Fulfilment cash flows and contract boundaries - continued

Insurance acquisition cash flow

Insurance acquisition cash flows are allocated to groups of contracts using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Investment components

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.

Service components

Service components of insurance contracts are treated as separate service contracts only if the service component is not highly interrelated with the insurance component and we provide no significant service in integrating the service component with the insurance component. Service components that are not separated are accounted for with insurance contracts.

Insurance components

For insurance contracts where both parties to the contract have the practical ability to terminate the contract, the extension of the contract beyond the termination date is treated as a new and separate contract. This occurs for most group life and health insurance contracts every year, when we have the right to reprice the contract and the policyholder has the option to not renew the contract. In such instances, each renewal is considered a new and separate contract. This also applies for many reinsurance contracts held, where the reinsurer has the right to reprice new cessions and we have the right to cease ceding new contracts with a notice period. In such instances, the cessions within each notice period are considered a new and separate reinsurance contract held.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Insurance contracts not measured under the premium allocation approach ("PAA")

Initial measurement

On initial recognition, the Company measures a group of contracts as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

The measurement of the fulfilment cash flows of a group of contracts does not reflect the Company's non-performance risk.

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

The risk adjustment for non-financial risk represents the compensation required for uncertainty related to non-financial risk (mortality, morbidity, surrender and expenses, etc.). The risk adjustment is reduced as the non-financial risks of our insurance contracts diminish over time ("release of risk adjustment"). This amount is measured as the present value of the difference between estimated future cash flows with a margin applied to non-financial assumptions and estimated future cash flows without this adjustment. Margins generally range from 5% to 20% depending on the uncertainty in the determination of the assumption. The level of uncertainty, and hence the margin chosen, varies by assumption and by line of business and other factors. Considerations that would generally lead to a choice of margin at the higher end of the range are as follows:

- The statistical credibility of our experience is too low to be the primary source of data for choosing the assumption;
- Future experience is difficult to estimate;
- The cohort of risks lacks homogeneity;
- Operational risks adversely impact the ability to estimate the assumption; or
- Past experience may not be representative of future experience and the experience may deteriorate.

Margins are generally stable over time and are revised only to reflect changes in the level of uncertainty in the assumptions. Our margins tend to be at mid-range.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Insurance contracts not measured under the PAA - continued

Initial measurement - continued

The risk adjustment for reinsurance contracts held represents the amount of risk transferred to the reinsurer. This is measured as the difference between the risk adjustment on the underlying insurance contracts without reinsurance and what the risk adjustment ("RA") on the underlying insurance contracts would be with reinsurance. The risk adjustment for reinsurance contracts held increases the asset or reduces the liability for reinsurance contracts held.

The risk adjustment for insurance contracts corresponds to a confidence level of approximately 80-85% overall.

The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, if the total of the fulfilment 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.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue.

Subsequent measurement

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

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

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);

- Changes relating to current or past services are recognised in the insurance service result in profit or loss; and

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Insurance contracts not measured under the PAA - continued

Subsequent measurement - continued

- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses for insurance contracts without direct participation features or adjusted against CSM for insurance contracts with direct participation features.

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

Insurance contracts without direct participation features

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

- the CSM of any new contracts that are added to the group in 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. The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group on a quarterly basis. The discount rate used for accretion of interest on the CSM is determined using the top-down approach at inception;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
  - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

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

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Insurance contracts not measured under the PAA - continued

Subsequent measurement – continued

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

- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;

- differences between (a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period;

- differences between (a) any loan to a policyholder expected to become repayable in the period, determined as the repayment expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and (b) the actual amount that becomes repayable in the period; and

- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the contract. Changes in cash flows arising from the Company's discretion are regarded as relating to future services and accordingly adjust the CSM, these cash flows are determined based on the relevant contract terms, dividend and bonus philosophy.

Insurance contracts with direct participation features

Contracts with direct participation features are contracts under which the Company's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and

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

When measuring a group of contracts with direct participation features, the Company adjusts the fulfilment cash flows for the changes in the obligation to pay policyholders an amount equal to 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Insurance contracts not measured under the PAA - continued

Subsequent measurement - continued

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

- the CSM of any new contracts that are added to the group in the period;

- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:

  - a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM. The excess is recognised in insurance service expenses and recognised as a loss component in LRC; or

  - an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future service, which adjusts the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM.

- the effect of any currency exchange differences on the CSM; and

- the amount recognised as insurance revenue for service provided in the period.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Insurance contracts measured under the PAA

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

- where the coverage period of each contract in the group of contracts is one year or less; or

- the Company reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of contracts not measured under the PAA.

Initial measurement

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

Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any premiums received; and (ii) any amortisation of the insurance acquisition cash flows, and decreased by (i) insurance acquisition cash flows paid; (ii) the amount recognised as insurance revenue for coverage provided; and (iii) any investment component paid or transferred to the LIC. On initial recognition of each group of contracts, the Company expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk. In subsequent periods, unless facts and circumstances indicate that the group of contracts is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Reinsurance contracts held

Reinsurance contracts held by the Company cover underlying insurance contracts. The reinsurance contracts held portfolios are divided into:

- any contracts on which there is a net gain on initial recognition;
- any contracts on which there is a net cost on initial recognition that is not immediately recognised through profit or loss that have no significant possibility of a net gain arising subsequent to initial recognition; and
- any contracts on which there is a net cost on initial recognition that is immediately recognised through profit or loss remaining contracts in the portfolio.

For groups of reinsurance contracts held, the Company applies the same accounting policies as that applied to insurance contracts without direct participation features, with the following modifications.

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Reinsurance contracts held - continued

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

- the CSM of any new contracts that are added to the group in 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;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

Reinsurance of onerous underlying insurance contracts

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

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

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

A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Measurement - Reinsurance contracts held - continued

Reinsurance contracts held measured under the PAA

An immaterial amount of reinsurance contracts initiated by the Company are measured under the PAA.

Transition

Contracts measured under the fair value approach

The Company adopts the fair value approach when it is impracticable to use a full retrospective approach in determining transition amounts at the HKFRS 17 transition date.

For the groups of contracts that are measured under the fair value approach, the Company determined the CSM or loss component of the LRC at January 1, 2022 as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

For all contracts measured under the fair value approach, the Company used reasonable and supportable information available at January 1, 2022 to determine:

- how to identify groups of contracts;

- whether a contract meets the definition of a contract with or without direct participation features or investment contract with discretionary participation features; and

- how to identify discretionary cash flows for contracts without direct participation features.

Some groups of contracts measured under the fair value approach contain contracts issued more than one year apart. For these groups, the discount rates on initial recognition were determined at January 1, 2022 instead of at the date of initial recognition.

For groups of reinsurance contracts held covering onerous underlying contracts, the Company established a loss-recovery component at January 1, 2022. The Company determined the loss recovery component by multiplying:

- the amount of the loss component that relates to the underlying contracts at January 1, 2022; and

- the percentage of claims on the underlying contracts that the Company expected to recover from the reinsurance contracts held.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Transition - continued

Insurance acquisition cash flows - Fair value approach

The Company measured an asset for insurance acquisition cash flows under the fair value approach at an amount equal to the insurance acquisition cash flows that it would incur at January 1, 2022 for the rights to obtain:

- recoveries of insurance acquisition cash flows from premiums of contracts issued before January 1, 2022 but not yet recognised at that date, and future contracts that are renewals of such contracts;

- future contracts that are renewals of contracts recognised at January 1, 2022; and

- other future contracts after January 1, 2022 without paying again insurance acquisition cash flows that the Company has already paid.

Insurance contracts - modification and derecognition

The Company derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or

- the contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

Presentation

The Company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities. Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related portfolios of insurance contracts issued.

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

The Company will separate the change in risk adjustment for non-financial risk into financial and non-financial portion.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Presentation - continued

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The Company's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any investment components). The total consideration for a group of contracts covers amounts related to the provision of services and comprises:

- insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage;
- amounts related to income tax that are specifically chargeable to the policyholder;
- the risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage;
- the CSM release; and
- amounts related to insurance acquisition cash flows.

Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims).

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

Presentation - continued

Loss-recovery components

When the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

Net expense from reinsurance contracts held

Net expense from reinsurance contracts held comprises an allocation of reinsurance premiums paid less amounts recovered from reinsurers and commissions from an allocation of reinsurance premiums. The Company treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components presented on the face of the statement of profit or loss and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

The Company presents on a net basis for the amounts received from the reinsurer and an allocation of premiums paid.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Insurance and reinsurance contracts - continued

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 arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company did not elect to disaggregate insurance finance income or expenses on insurance contracts issued between profit or loss and other comprehensive income because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

Revenues comprise:

- insurance revenue;
- interest revenue calculated using the effective interest method;
- other investment revenue, which includes net fair value gains on financial assets at FVTPL, net realised gains on financial assets and dividends on equity securities.

Investment contracts

Liabilities for investment contracts without DPF are measured at FVTPL or amortized cost. Contract recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. At each subsequent period, changes in fair value of investment contract liabilities recorded at FVTPL are recorded as net investment income (loss) in our consolidated statement of profit or loss.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

For the life and annuity business, the charge for taxation is based on the assessable profit which is deemed to be five percent of the net premium income for the year.

For the other businesses, the tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group and the Company are able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Taxation - continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payment transactions

For cash-settled share-based payments, the Group and the Company measure the goods or services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

Foreign currencies

In preparing the financial statement of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group and the Company assess whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Leases - continued

The Group and the Company as a lessee

Short-term leases

The Group and the Company apply the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group and the Company; and
- an estimate of costs to be incurred by the Group and the Company in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group and the Company are reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of the assets' estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group and the Company recognise and measure the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group and the Company use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Leases - continued

The Group and the Company as a lessee - continued

Lease liabilities - continued

The Group and the Company remeasure lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group and the Company account for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group and the Company remeasure the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Company account for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group and the Company allocate the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the MPF Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Retirement benefit costs - continued

The Group and the Company are obliged to pay Long Service Payment ("LSP") to employees under certain circumstances. Meanwhile, the Group and the Company make mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on May 1, 2025 (the "Transition Date").

The Group and the Company considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employees' LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group and the Company have been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a deduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group and the Company have assessed and considered that the impact in profit or loss for the service cost interest expense and remeasurement effect from changes in actuarial assumptions for the year ended December 31, 2023 are immaterial.

Cash equivalents

Cash equivalents represent short-term and highly liquid placements which are used by the Group and the Company in their cash management and which are readily convertible into a known amount of cash, subject to an insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in note 3, management is required to make various judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular 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.

The key sources of estimation uncertainty and the critical judgments that can significantly affect the amounts recognised in the consolidated financial information are disclosed below.

Classification of insurance products

The classification of insurance products into insurance contracts is determined by reference to whether the contracts transfer significant insurance risk. This determination is subject to management's judgement. Insurance contracts and investment contracts are subject to different basis of measurement of liabilities.

Level of aggregation and recognition of group of insurance contracts

For contracts issued to which the Company does not apply the PAA, the judgements exercised in determining whether contracts are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and

- using information about profitability estimation for the relevant group of products.

Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risk and managed together and dividing each portfolio into cohorts and each cohorts into three groups based on profitability:

- 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.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in note 3.

Measurement of insurance contracts not measured under the PAA

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Measurement of insurance contracts not measured under the PAA - continued

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

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies in respect of insurance contracts are provided in note 3.

Determination of coverage unit

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

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

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the one-to-one 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. Bow-wave adjustment has been applied to coverage units. Bow-wave is the adjustment to capture the difference of the CSM amortisation between real world return and risk neutral return. The Company applies judgement in these determinations.

For reinsurance contracts held, the CSM amortisation reflects the expected pattern of underwriting of the underlying contracts because the level of service received depends on the number of underlying contracts in-force.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Insurance contracts – contract boundary modification and derecognition

During the medical annual review in 2022, Sun Life Hong Kong (SLHK) identified evidence of higher risk for existing policyholders compared to new policyholders, based on the experience of WeHealth, one of the best-selling renewable medical products under the Voluntary Health Insurance Scheme (VHIS).

SLHK enhanced the pricing approach for renewable medical products to explicitly consider future risks of the portfolio, i.e., a lifetime portfolio pricing approach. SLHK also changed the medical claim valuation assumptions to reflect the select and ultimate bases captured in our enhanced pricing approach.

Under HKFRS 17, the change in pricing and valuation assumptions triggered a reassessment of the contract boundary. This in turn necessitated a change in the valuation approach from PAA to general measurement model ("GMM"). SLHK reported this change as a contract modification, de-recognizing the existing PAA contracts and recognizing the GMM contracts. Rather than reporting the newly recognised GMM contracts under new business SLHK created a new line in the financials to reflect this unique reporting requirement. This change was effective on June 30, 2023.

Assets representing rights under investment management service contracts

The Group and the Company sell investment management service contracts under MPF contracts. A critical judgment is whether the costs incurred to secure these contracts that are directly attributable to the sale and incremental to the cost base (e.g. commissions) are likely to be recoverable from future investment management service revenues. When this threshold is passed a DOC asset is recognised and accounted for to represent the Group's and the Company's rights under these investment management service contracts. A critical judgment is to assess the probability of the recoverability of these assets at initial recognition and when the threshold for recognising the asset is passed, to establish an amortisation that is aligned with the recognition of revenues from the investment management service rendered and to assess, for each portfolio of contracts, that the unamortised asset is fully recoverable from future net revenues.

Management considered that there is high probability of recovering the DOC on the portfolio of MPF contracts. Having considered the projected net revenues the Group and the Company have concluded that the closing balance of HK$883,044,000 (2022: HK$899,567,000) is not subject to any impairment.

Intangible assets arising from acquisitions

The Group and the Company make estimates of future sales, policy decrement, expenses and other market factors, which form the basis of the assumptions used to calculate the intangible assets arising from acquisitions as disclosed in note 18. The assumptions which have the greatest effect on the measurement of the intangible assets are the future sales and risk adjusted discount rate. These assumptions were determined on a prudent basis with reference to past experience.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit, including goodwill, to the recoverable amount of that cash-generating unit. The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions which are disclosed in the note 18 of this consolidated financial statements.

Fair value of financial instruments

The directors of the Company use their judgment in selecting an appropriate valuation technique for financial instruments measured at fair value under level 3 fair value hierarchy. For limited partnership investments, with carrying amounts at December 31, 2023 of HK$1,222,086,000 (2022: HK$1,066,601,000), the fair value of limited partnership investments is based on the net asset value ("NAV") provided by the management of the limited partnership investments.

5. CAPITAL MANAGEMENT

The Group and the Company have an operating guideline designed to ensure that adequate capital is maintained and to provide the flexibility necessary to take advantage of growth opportunities and to support the risks associated with the Group's and the Company's business. The Company has obtained the approval from the Hong Kong Insurance Authority ("IA") in August 2023 to early adopt the Hong Kong Risk-based Capital ("HKRBC") solvency regime, following the Early Adoption Technical Specifications circulated by the IA in 2021. The early adoption is effective from June 30, 2023. The overall strategy and approach to managing capital of the Company has been updated to ensure that an appropriate balance is maintained between the internal assessment of capital required and the prescribed capital requirements under HKRBC. During both years, the Company has complied with the externally imposed capital requirements, and since the early adoption of HKRBC, the Company has maintained a solvency position higher than the prescribed capital requirement applicable to the Group and the Company in accordance with the HKRBC Early Adoption Technical Specifications.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT

Insurance risk

The Group and the Company are in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents, and related risks. Appropriate reinsurance has been arranged with several reputable international reinsurers to mitigate the risk of large mortality and morbidity fluctuations affecting the population of Hong Kong to which the majority of the Group's and the Company's policyholders belongs. The Group and the Company's is not exposed to material claims determination after taking into account the reinsurance arrangements. Consequently, the net of reinsurance exposure to total claims payable in any given year is limited. The Group and the Company have been following specific corporate guidelines and policies in underwriting and claims liability risk management to further mitigate the net insurance risk retained. Careful assessments are made in the selection, assumption and classification of risks in accordance with the Group's and the Company's underwriting principles. Limits are in place for any acceptable risk underwritten. In-force business is monitored to ensure the risk exposures in specific blocks of business develop in accordance with the pricing of those risks. Acceptance of risk will also be consistent with the Group's and the Company's financial capacity measured by its level of solvency capital. These procedures have not changed from last year and management continues to assess that they have kept the Group's and the Company's insurance risk sufficiently diversified to ensure there is no exposure to unreasonable concentration of risk.

The Group and the Company seek to pay all legitimate claims promptly and in accordance with both applicable regulatory requirements and internal guidelines. The requirements and processing of claims vary according to the products and nature of risk. The Group and the Company maintain documentation on claims administration, adjudication and investigation principles as well as procedural issues.

For traditional participating policies, dividends and bonuses could be adjusted according to the mortality and morbidity fluctuations if necessary.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, the CSM and net income to certain instantaneous changes in the insurance and other non-financial assumptions used in the calculation of our insurance contract liabilities, based on a starting point and business mix as at December 31, 2023 and December 31, 2022. These sensitivities are calculated independently for each risk factor, generally assuming that all other risk variables stay constant. The estimates are illustrative and different starting points for best estimate assumptions, CSM balances and business mix will result in different estimated sensitivities.

The impact on CSM is attributable to insurance contracts measured using the GMM and VFA. For insurance contracts measured using the GMM, the impact flows through the CSM at locked-in discount rates. For insurance contracts measured using the VFA, the impact flows through the CSM at current discount rates.

As at December 31	2023 HK$'000				2022 HK$'000			
	Potential impact on CSM (pre-tax)		Potential impact on net income/equity (pre-tax)		Potential impact on CSM (pre-tax)		Potential impact on net income/equity (pre-tax)	
Sensitivities	Insurance contracts issued	Net of reinsurance contracts held	Insurance contracts issued	Net of reinsurance contracts held	Insurance contracts issued	Net of reinsurance contracts held	Insurance contracts issued	Net of reinsurance contracts held
Policyholder Behaviour (10% increase / decrease, where adverse)	(499,160)	(469,894)	15,593	14,200	(231,530)	(203,859)	(23,343)	(24,647)
Life Mortality rates (2% increase)	(6,672)	(5,825)	(9,723)	(6,325)	(6,965)	(1,758)	(3,073)	(3,255)
Morbidity rates (5% incidence increase and 5% termination decrease)	(260,862)	(239,958)	28,223	26,115	(121,974)	(67,810)	29,118	14,133
Expenses (5% increase)	(166,051)	(113,984)	5,274	5,269	(114,380)	(64,236)	2,486	2,473

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Lapse risk

Lapse risk is the risk of fluctuation of the Group's and the Company's cash flows and profit due to high level of lapse/surrender by policyholder. Different surrender charges may apply to different products to compensate loss due to lapse or surrender. This may result in a gain at the time of surrender if the reserves release is greater than the surrender charges. Surrenders also result in the loss of normally expected profits from the policies in question. Persistency bonus on agency compensation and loyalty bonus features on some products serve as an incentive to reduce early surrenders.

Market risk

Market risk is the risk of changes in fair value of financial instruments and in the carrying amount of insurance contracts from fluctuation in interest rates (interest rate risk), foreign exchange rates (currency risk) and market prices (price risk).

The Group and the Company structure the levels of market risk it accepts through an ongoing evaluation that includes determining what constitutes market risk for the Group and the Company, the basis used to fair value the financial assets and liabilities and to measure insurance/ reinsurance assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument and geographical area; the net exposure limits by geographical segments for investments in countries other than Hong Kong and the United States of America; monitoring compliance with investment limits and guidelines and reviewing for pertinence and changing environment.

The Group and the Company have set up investment guidelines and mandates for the long-term business fund. By following the investment policy, the Group and the Company limit the exposure to investments in securities by setting minimum limits of the portfolio mix in bonds and maximum limits of portfolio mix in equities and other investments. Currency and maturity are managed in accordance with the underlying liability characteristics, giving considerations to economic and competitive environments and availability of investment assets of the required maturities. The Group and the Company impose overall limits on credit quality on fixed income portfolios. The Group and the Company also only deal with institutions and counterparties with high creditworthiness.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk

Interest rate risk is the risk that the fair value/future cash flows of a financial instrument and/or an insurance contract will fluctuate because of changes in interest rates. Certain insurance and investment contracts that the Group and the Company issue include interest/credit rate guarantees which expose the Group and the Company to losses if the assets backing those contracts' liabilities generate lower returns than the benefit accrued to the policyholders at the respective guaranteed interest/credit rate.

The Group and the Company have a duration matching policy for each portfolio of assets and associated liabilities to keep potential losses within acceptable limits. In addition, the Group and the Company also purchase derivatives to hedge against their exposures to changes in fair values.

Interest Rate Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, our net income and on the CSM to certain instantaneous changes in interest rates as at December 31, 2023 and December 31, 2022.

	Interest Rate Sensitivities			
	50 basis point decrease		50 basis point increase	
	2023	2022	2023	2022
	HK$'m	HK$'m	HK$'m	HK$'m
Potential impact on net income (pre-tax) [(1)]	20	60	(20)	20
CSM impact [(1)]	270	200	(150)	(190)

(1) The impact has been rounded to increments of HK$10m.

The sensitivity analysis above is based on a simplified scenario on 50 basis point change in interest rates. Significant changes in market variables may result in other than proportionate impacts on our sensitivities.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Currency risk

The Group and the Company undertake certain transactions denominated in foreign currencies, and therefore the Group and the Company are exposed to exchange rate fluctuations. It is the Group's and the Company's policy to match its assets and liabilities by currency to minimise its exposure to currency risk to the extent practicable. The Group and the Company sell insurance policies denominated in Hong Kong dollars ("HK$"), Chinese yuan ("RMB"), and United States dollars ("US$") and the main currency exposure for the Group and the Company arises from the use of US$ assets to back HK$ liabilities. Where appropriate, HK$/RMB and HK$/US$ currency derivatives are used tore minimise currency mismatch between assets and liabilities.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities, including insurance-related assets and liabilities, at the reporting date are as follows:

	Liabilities		Assets	
	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000
United States dollars	66,914,602	72,403,091	84,390,017	88,837,527
Others	25,618,293	425,642	14,274,368	1,211,658

The Group's and the Company's exposure to currency risk is mainly in HK$ against US$. To limit the currency risk, the Group and the Company have entered into derivative contracts, namely forward foreign exchange contracts and foreign exchange swap contracts, to convert US$ into HK$ with a notional amount of HK$ 27,239 million (2022: HK$19,358 million). The Group's and the Company's net exposures in US$, at the reporting date, after taking into account the derivative contracts, amounted to net liabilities of HK$2.5 billion (2022: HK$2.9 billion net liabilities). The Group's and the Company's net exposures in RMB is immaterial at the reporting date.

Accordingly, no sensitivity analysis is prepared as the management considered that the effect is insignificant after the above hedging arrangement.

Price risk

The Group's and the Company's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices and principally comprise investments in securities not held for the account of unit-linked business.

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

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Price risk - continued

The Group's and the Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector and market.

Equity Market Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, our net income and CSM to certain instantaneous changes in equity market prices as at December 31, 2023 and December 31, 2022.

	Equity Market Sensitivities			
	10% decrease		10% increase	
	2023	2022	2023	2022
	HK$'m	HK$'m	HK$'m	HK$'m
Potential impact on net income (pre-tax) [(1)]	100	120	(90)	(80)
CSM impact [(1)]	(190)	(220)	190	240

(1) The impact has been rounded to increments of HK$10m.

The sensitivity analysis above is based on a simplified scenario on 10% increase and decrease in equity price.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. It is the Group's and the Company's investment policy to invest in diversified portfolios that target a portfolio average of investment grade. In addition, only reputable international reinsurers are chosen as the Group's and the Company's reinsurers to reduce their default risk.

The Group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds, debt instruments and derivative financial instruments is limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

Analysis for underlying credit rating of debt securities:

THE GROUP

	2023	2022
AAA	4%	5%
AA	20%	19%
A	39%	38%
BBB	35%	36%
BB and lower	2%	2%
Total	100%	100%

THE COMPANY

	2023	2022
AAA	4%	4%
AA	20%	19%
A	39%	38%
BBB	35%	37%
BB and lower	2%	2%
Total	100%	100%

The creditworthiness of reinsurers is considered by reviewing their financial strength prior to finalisation of any contract and transaction. The Group and the Company maintain records of the payment history for these counterparties with whom they conduct regular business.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

The credit risk of the limited partnership investment is insignificant due to managers' credit risk management capabilities, strict guidelines on credit quality and portfolio diversification, and on-going frequent review and timely follow-up.

The credit risk arising from the reinsurance contracts is considered to be immaterial and thus the counterparty risk provision is considered to be minimal.

Credit spread sensitivities

Credit spread sensitivities reflect the impact of changes in credit spreads on our asset and liability values (including provincial government bonds, corporate bonds, and other fixed income assets).

The following tables set out the sensitivity of, our net income to certain instantaneous changes in credit spreads and our net income and CSM as at December 31, 2023 and December 31, 2022.

	Credit Spreads Sensitivities			
	50 basis point decrease		50 basis point increase	
	2023	2022	2023	2022
	HK$'m	HK$'m	HK$'m	HK$'m
Potential impact on net income (pre-tax) [1]	140	210	(110)	(110)
CSM impact [1]	50	70	20	(90)

(1) The impact has been rounded to increments of HK$10.

The sensitivity analysis above is based on a simplified scenario on 50 basis point change in credit spreads. Significant changes in market variables may result in other than proportionate impacts on our sensitivities.

Reinsurance contract held assets by credit rating

The table below presents the distribution of reinsurance contract held assets by credit rating:

	2023	2022
	HK$'m	HK$'m
AA or A	1,199	1,495
Below A	-	-
Not rated	-	-
Total reinsurance contract held assets	1,199	1,495

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments. Liquidity risk may result from the inability to sell financial assets quickly at their fair values; counterparties failing to settle a contractual obligation; insurance liabilities falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group and the Company is the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts.

The Group and the Company manage liquidity through a liquidity risk policy which includes determining what constitutes liquidity risk for the Group and the Company; setting the minimum proportion of funds to meet emergency calls; setting up contingency funding plans; specifying the sources of funding and the events that would trigger the plan; specifying the concentration of funding sources; reporting liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and reviewing the Group's and the Company's liquidity risk policy for pertinence and changing environment. The permissible investment portfolio primarily consists of securities with active secondary or resale markets.

The following table details the Group's and the Company's estimated expected timing of net cash outflows or the earliest contractual repayment date resulting from recognised insurance contracts and reinsurance contracts held in a liability position based on the reported carrying amounts.

THE GROUP AND THE COMPANY

	Expected net cash (in)outflows - Undiscounted						
	1 year or less HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	4-5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2023							
Insurance contract liabilities [1]	10,491,276	(2,778,442)	(1,040,765)	(657,956)	(148,623)	586,770,666	592,636,156
Reinsurance contract liabilities	613,921	(238,320)	(313,857)	(357,942)	(409,049)	(107,498,011)	(108,203,258)
2022							
Insurance contract liabilities [1]	11,223,495	(436,486)	93,690	875,579	1,103,502	434,587,409	447,447,189
Reinsurance contract liabilities	(601,525)	(298,217)	(348,350)	(390,516)	(423,400)	(107,081,540)	(109,143,548)

[1] These amounts represent the undiscounted estimated cash flows of insurance contract liabilities and investment contract liabilities with DPF. These cash flows include estimates related to the timing and payment of death and disability claims, policy surrenders, policy maturities, policyholder dividends and bonuses, commissions and premium taxes offset by contractual future premiums and fees on in-force contracts. These estimated cash flows are based on the best-estimate assumptions used in the determination of insurance contract liabilities and investment contract liabilities with DPF. Due to the use of assumptions, actual cash flows will differ from these estimates.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

THE GROUP

	Weighted average effective interest rate	Gross undiscounted cash flows: Less than 3 months	3 months to 1 year	1-5 years	+ 5 years	Adjustment	Carrying amount total
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023							
Non-derivative financial liabilities							
Investment contracts liabilities without DPF[5]	-	-	471,001	-	-	-	471,001
Other creditors and accrued charges	-	2,964,756	-	-	-	-	2,964,756
Amount due to immediate holding company	-	93,583	-	-	-	-	93,583
Amounts due to fellow subsidiaries	-	41,626	-	-	-	-	41,626
Financial liabilities from securities lending	-	1,101,391	-	-	-	-	1,101,391
Subordinated loan	3.70	7,212	582,835			(7,547)	582,500
2022							
Non-derivative financial liabilities							
Investment contracts liabilities without DPF[5]	-	551,513	-	-	-	-	551,513
Other creditors and accrued charges	-	845,845	-	-	-	-	845,845
Amount due to immediate holding company	-	40,126	-	-	-	-	40,126
Amounts due to fellow subsidiaries	-	17,755	-	-	-	-	17,755
Financial liabilities from securities lending	-	1,234,278	-	-	-	-	1,234,278
Subordinated loans	3.71	5,310	580,597	-	-	(13,407)	572,500

THE COMPANY

	Weighted average effective interest rate	Gross undiscounted cash flows: Less than 3 months	3 months to 1 year	1-5 years	+ 5 years	Adjustment	Carrying amount total
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023							
Non-derivative financial liabilities							
Investment contracts liabilities without DPF[5]	-	-	471,001	-	-	-	471,001
Other creditors and accrued charges	-	2,843,299	-	-	-	-	2,843,299
Amount due to immediate holding company	-	93,583	-	-	-	-	93,583
Amounts due to fellow subsidiaries	-	38,319	-	-	-	-	38,319
Financial liabilities from securities lending	-	1,101,391	-	-	-	-	1,101,391
Subordinated loan	3.70	6,926	569,821			(16,747)	560,000
2022							
Non-derivative financial liabilities							
Investment contracts liabilities without DPF[5]	-	551,513	-	-	-	-	551,513
Other creditors	-	743,661	-	-	-	-	743,661
Amount due to immediate holding company	-	40,126	-	-	-	-	40,126
Amounts due to fellow subsidiaries	-	13,673	-	-	-	-	13,673
Amount due to a subsidiary	-	450	-	-	-	-	450
Financial liabilities from securities lending	-	1,234,278	-	-	-	-	1,234,278
Subordinated loan	3.70	5,138	567,583	-	-	(12,721)	560,000

[5] For investment contract liabilities without DPF in the first time category (less than 3 months). The amount represents the fair value of the fund balance less surrender charge.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

The following table details the Group's and the Company's contractual maturity for its non-derivative financial assets, other than segregated funds (note) as well as loans receivable and bank balances which are set out in notes 22 and 25, respectively. It has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The adjustment column represents the possible future cash flows included in the maturity analysis, such as future interest, that have not been included in the carrying amount of the financial assets. The cash flows are projected by actuarial software based on assets' characteristics (i.e. coupon rate, par value and maturity).

(note) Segregated funds represent funds held by the Company excluding life, annuity and shareholder's fund.

THE GROUP

	Weighted average effective interest rate	Gross/net undiscounted cash flows					Carrying amount total
		Less than 3 months	3 months to 1 year	1-5 years	+ 5 years	Adjustment	
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023							
Variable interest rate instruments	6.3	254,831	701,216	3,106,245	9,773,840	(5,334,839)	8,501,293
Fixed interest rate instruments	6.1	846,362	2,596,891	18,796,433	78,436,190	(41,698,476)	58,977,400
Mortgage loan investments	5.4	6,911	20,637	122,841	79,759	(39,647)	190,500
2022							
Variable interest rate instruments	4.8	195,160	309,129	1,747,533	8,825,238	(5,048,265)	6,028,795
Fixed interest rate instruments	4.7	773,777	3,012,335	16,630,965	82,902,419	(46,123,553)	57,195,943
Mortgage loan investments	5.3	8,037	42,234	132,758	133,250	(61,541)	254,738

THE COMPANY

	Weighted average effective interest rate	Gross/net undiscounted cash flows					Carrying amount total
		Less than 3 months	3 months to 1 year	1-5 years	+ 5 years	Adjustment	
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023							
Variable interest rate instruments	6.3	254,831	701,216	3,106,245	9,773,840	(5,334,839)	8,501,293
Fixed interest rate instruments	6.1	846,362	2,596,891	18,796,433	78,436,190	(41,698,476)	58,977,400
Mortgage loan investments	5.4	6,911	20,637	122,841	79,759	(39,647)	190,500
2022							
Variable interest rate instruments	4.8	195,006	308,497	1,727,429	8,825,238	(5,046,825)	6,009,345
Fixed interest rate instruments	4.7	735,431	2,942,504	16,095,867	82,726,849	(45,980,670)	56,519,981
Mortgage loan investments	5.3	8,037	42,234	132,758	133,250	(61,541)	254,738

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

The following table details the Group's and the Company's contractual maturity for its derivative financial instruments. It has been drawn up based on the undiscounted net cash inflows (outflows) of the derivative instruments that settle on a net basis and the undiscounted gross inflows (outflows) of those derivatives that require gross settlement. When the amount payable or receivable in the interest rate swap contracts is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the forward yield curves quoted by Bloomberg at the reporting date.

THE GROUP

	Weighted average effective interest rate	Gross/net undiscounted cash flows				Adjustment	Carrying amount total
		Less than 3 months	3 months to 1 year	1-5 years	+ 5 years		
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023							
Forward foreign exchange contracts	-	(22,162)	-	-	-	(3,177)	(25,339)
Foreign exchange swap contracts	1.8	(6,623)	(24,659)	(81,500)	(47,861)	501,443	340,800
Interest rate swap contracts	4.9	-	(111,762)	(444,613)	(1,083,031)	1,704,449	65,043
Credit default swap contracts	1.0	296	895	3,566	-	(2,789)	1,968
Swaption contracts	-	106,037	-	-	-	-	106,037
Bond forward	-	762	-	-	-	-	762
Listed option	-	53,769	-	-	-	-	53,769
Foreign exchange spot	-	47	-	-	-	(6)	41
Equity futures	-	575	-	-	-	-	575
2022							
Forward foreign exchange contracts	-	(18,066)	(1,875)	-	-	(7,985)	(27,926)
Foreign exchange swap contracts	1.7	(31,467)	(19,675)	(93,615)	(39,352)	161,290	(22,819)
Interest rate swap contracts	4.2	(51)	(58,522)	(219,946)	(797,397)	1,095,037	19,121
Credit default swap contracts	1.0	3,948	2,196	-	-	(4,335)	1,809
Swaption contracts	-	-	-	-	(84,282)	243,145	158,863
Bond forward	-	-	-	-	-	(6,783)	(6,783)
Listed option	-	-	-	-	-	96,236	96,236

THE COMPANY

	Weighted average effective interest rate	Gross/net undiscounted cash flows				Adjustment	Carrying amount total
		Less than 3 months	3 months to 1 year	1-5 years	+ 5 years		
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023							
Forward foreign exchange contracts	-	(22,162)	-	-	-	(3,177)	(25,339)
Foreign exchange swap contracts	1.8	(6,623)	(24,659)	(81,500)	(47,861)	501,443	340,800
Interest rate swap contracts	4.9	-	(111,762)	(444,613)	(1,083,031)	1,704,449	65,043
Credit default swap contracts	1.0	296	895	3,566	-	(2,789)	1,968
Swaption contracts	-	106,037	-	-	-	-	106,037
Bond forward	-	762	-	-	-	-	762
Listed option	-	53,769	-	-	-	-	53,769
Foreign exchange spot	-	47	-	-	-	(6)	41
Equity futures	-	575	-	-	-	-	575
2022							
Forward foreign exchange contracts	-	(15,616)	(1,875)	-	-	(7,986)	(25,477)
Foreign exchange swap contracts	1.7	(31,467)	(19,675)	(93,615)	(39,352)	161,290	(22,819)
Interest rate swap contracts	4.2	(51)	(58,522)	(219,946)	(797,397)	1,095,037	19,121
Credit default swap contracts	1.0	3,948	2,196	-	-	(4,335)	1,809
Swaption contracts	-	-	-	-	(84,282)	243,145	158,863
Bond forward	-	-	-	-	-	(6,783)	(6,783)
Listed option	-	-	-	-	-	96,236	96,236

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

Level 1: Fair value is based on the unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets classified as Level 1 generally include listed equities, listed unit trusts and certain listed debt securities. Fair value of unlisted unit trusts is determined with reference to the prices quoted by respective fund administrators.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data. The types of assets and liabilities classified as Level 2 generally include certain listed and unlisted debt securities, unlisted unit trust investments, derivative instruments and mortgage loan investments.

Level 3: Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs, or based on broker quotes that cannot be corroborated with observable market transactions. The types of assets classified as Level 3 generally include certain listed and unlisted debt securities and limited partnership investments.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at fair value on recurring basis

Fair value hierarchy as at December 31, 2023

THE GROUP

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at December 31, 2023				
Financial assets				
Designated at FVTPL				
Listed debt securities	1,634,155	40,355,990	31,287	42,021,432
Unlisted debt securities	42,326	20,451,907	-	20,494,233
Listed unit trust investments	8,812,054	110,187	-	8,922,241
Unlisted unit trust and investments	11,707,539	117,941	20,481	11,845,961
Mortgage loan investments	-	190,500	-	190,500
Derivative financial assets	54,344	542,681	-	597,025
Limited partnership	-	-	1,260,943	1,260,943
	22,250,418	61,769,206	1,312,711	85,332,335
Measured at FVTOCI				
Listed debt securities	635,810	3,252,476	-	3,888,286
Unlisted debt securities	-	1,016,317	19,568	1,035,885
	635,810	4,268,793	19,568	4,924,171
Total	22,886,228	66,037,999	1,332,279	90,256,506
Financial liabilities				
Derivative financial liabilities	-	53,365	-	53,365
Financial liabilities from investment contracts	-	471,001	-	471,001
Total	-	524,366	-	524,366

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at fair value on recurring basis - continued

Fair value hierarchy as at December 31, 2023 - continued

THE COMPANY

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at December 31, 2023				
Financial assets				
Designated at FVTPL				
Listed debt securities	1,634,155	40,355,990	31,287	42,021,432
Unlisted debt securities	42,326	20,451,907	-	20,494,233
Listed unit trust investments	8,812,054	110,187	-	8,922,241
Unlisted unit trust and investments	11,707,539	117,941	-	11,825,480
Mortgage loan investments	-	190,500	-	190,500
Derivative financial assets	54,344	542,681	-	597,025
Limited partnership	-	-	1,260,943	1,260,943
	22,250,418	61,769,206	1,292,230	85,311,854
Measured at FVTOCI				
Listed debt securities	635,810	3,252,476	-	3,888,286
Unlisted debt securities	-	1,016,317	19,568	1,035,885
	635,810	4,268,793	19,568	4,924,171
Total	22,886,228	66,037,999	1,331,798	90,236,025
Financial liabilities				
Derivative financial liabilities	-	53,365	-	53,365
Financial liabilities from investment contracts	-	471,001	-	471,001
Total	-	524,366	-	524,366

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at fair value on recurring basis - continued

Fair value hierarchy as at December 31, 2022

THE GROUP

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at December 31, 2022				
Financial assets				
Designated at FVTPL				
Listed debt securities	873,150	36,211,588	14,919	37,099,657
Unlisted debt securities	116,920	6,593,538	-	6,710,458
Listed unit trust investments	9,153,866	118,060	-	9,271,926
Unlisted unit trust and investments	12,929,608	808,504	-	13,738,112
Mortgage loan investments	-	254,738	-	254,738
Derivative financial assets	-	367,841	-	367,841
Limited partnership	-	-	555,884	555,884
	23,073,544	44,354,269	570,803	67,998,616
Available-for-sale financial assets				
Listed debt securities	811,996	3,709,619	-	4,521,615
Unlisted debt securities	-	1,448,496	-	1,448,496
Equities	-	-	10,771	10,771
Limited partnership	-	-	510,717	510,717
	811,996	5,158,115	521,488	6,491,599
Total	23,885,540	49,512,384	1,092,291	74,490,215

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Derivative financial liabilities	-	149,340	-	149,340
Financial liabilities from investment contracts	-	551,513	-	551,513
Total	-	700,853	-	700,853

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at fair value on recurring basis - continued

Fair value hierarchy as at December 31, 2022 - continued

THE COMPANY

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at December 31, 2022				
Financial assets				
Designated at FVTPL				
Listed debt securities	873,150	35,533,380	14,919	36,421,449
Unlisted debt securities	116,920	6,576,334	-	6,693,254
Listed unit trust investments	9,153,866	118,060	-	9,271,926
Unlisted unit trust and investments	12,929,608	808,504	-	13,738,112
Mortgage loan investments	-	254,738	-	254,738
Derivative financial assets	-	367,841	-	367,841
Limited partnership	-	-	555,884	555,884
	23,073,544	43,658,857	570,803	67,303,204
Available-for-sale financial assets				
Listed debt securities	811,996	3,709,619	-	4,521,615
Unlisted debt securities	-	1,448,496	-	1,448,496
Limited partnership	-	-	510,717	510,717
	811,996	5,158,115	510,717	6,480,828
Total	23,885,540	48,816,972	1,081,520	73,784,032
Financial liabilities				
Derivative financial liabilities	-	146,891	-	146,891
Financial liabilities from investment contracts	-	551,513	-	551,513
Total	-	698,404	-	698,404

There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

Fair value is determined based on quoted market prices for identical or similar instruments. When quoted market prices are not available, fair value is determined from observable market data by dealers that are typically the market makers. The fair value is categorised in Level 1 and 2 of the fair value hierarchy.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at fair value on recurring basis - continued

Financial assets measured at fair value based on Level 3:

	HK$'000
Balance at January 1, 2022	934,655
Total losses recognised in profit or loss	(5,315)
Total losses recognised in other comprehensive income	(21,748)
Purchases	321,269
Disposals	(136,570)
Balance at December 31, 2022	1,092,291
Total gains recognised in profit or loss	9,912
Purchases	477,741
Disposals	(122,340)
Transfers out of level 3	(125,325)
Balance at December 31, 2023	1,332,279

	2023 HK$'000	2022 HK$'000
Total gains (losses) for the year included in profit or loss for Level 3 assets at the end of the reporting year	9,912	(5,315)
Total losses for the year included in other comprehensive income for Level 3 assets at the end of the reporting year	-	(21,748)

Unobservable inputs and sensitivity for Level 3 assets

Significant unobservable inputs for Level 3 assets would include proprietary cash flow models and issuer spreads, which comprise credit, liquidity and other security-specific features of the assets. An increase (decrease) in these issuer spreads would result in a lower (higher) fair value. The majority of the Level 3 debt securities categorised in Level 3 are FVTPL assets supporting insurance contract liabilities. Changes in the fair value of these assets supporting insurance contract liabilities are largely offset by changes in the corresponding insurance contract liabilities. As a result, though using reasonably possible alternative assumptions may have an impact on the fair value of the Level 3 assets, it would not have a significant impact on the consolidated financial information.

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Valuation process for Level 3 assets

The fair value of debt securities is generally obtained by external pricing services or from broker quotes. These are subject to price validation and review procedures to ensure overall reasonability for Level 3 assets.

The fair value of the limited partnership investment is based on NAV provided by management of the limited partnership investments. The financial statements used in calculating the NAV are generally audited annually. Analytical review and other procedures are performed to ensure the fair value is reasonable.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The financial instruments are not offset in the consolidated and Company's statements of financial position. The following tables present the effect of conditional netting and similar arrangements. Similar arrangements include global master repurchase agreement and any related rights to financial collateral.

THE GROUP AND THE COMPANY

		Related amounts not offset in the statement of financial position		
	Amounts of financial instruments presented in the statement of financial position HK$'000	Financial instruments subject to enforceable master netting arrangements HK$'000	Financial collateral (received) pledged HK$'000	Net amount HK$'000
As at December 31, 2023				
Financial assets				
Derivative assets (note 21)	597,025	(53,364)	(366,998)	176,663
Total financial assets	597,025	(53,364)	(366,998)	176,663
Financial liabilities				
Derivative assets (note 21)	(53,364)	(53,364)	-	-
Financial liabilities from securities lending (note 29)	(1,101,391)	-	(1,101,391)	-
Total financial liabilities	(1,154,755)	(53,364)	(1,101,391)	-

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - continued

THE GROUP

		Related amounts not offset in the statement of financial position		
	Amounts of financial instruments presented in the statement of financial position HK$'000	Financial instruments subject to enforceable master netting arrangements HK$'000	Financial collateral (received) pledged HK$'000	Net amount HK$'000
As at December 31, 2022				
Financial assets				
Derivative assets (note 21)	367,841	(67,939)	(174,730)	125,172
Total financial assets	367,841	(67,939)	(174,730)	125,172
Financial liabilities				
Derivative liabilities (note 21)	(149,340)	67,939	78,952	(2,449)
Financial liabilities from securities lending (note 29)	(1,234,278)	-	1,234,278	-
Total financial liabilities	(1,383,618)	67,939	1,313,230	(2,449)

6. INSURANCE AND FINANCIAL RISK MANAGEMENT - continued

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - continued

THE COMPANY

		Related amounts not offset in the statement of financial position		
	Amounts of financial instruments presented in the statement of financial position HK$'000	Financial instruments subject to enforceable master netting arrangements HK$'000	Financial collateral (received) pledged HK$'000	Net amount HK$'000
As at December 31, 2022				
Financial assets				
Derivative assets (note 21)	367,841	(67,939)	(174,730)	125,172
Total financial assets	367,841	(67,939)	(174,730)	125,172
Financial liabilities				
Derivative liabilities (note 21)	(146,891)	67,939	78,952	-
Financial liabilities from securities lending (note 29)	(1,234,278)	-	1,234,278	-
Total financial liabilities	(1,381,169)	67,939	1,313,230	-

Note: Certain investments measured at FVTPL of the Group and the Company were loaned to third parties under the securities lending arrangements. At December 31, 2023, the carrying amount of these investments was HK$1,101 million (2022: HK$1,234 million)

7. INSURANCE REVENUE AND FEE INCOME

	2023	2022 (restated)
Insurance revenue	HK$'000	HK$'000
Amounts relating to changes in liabilities for remaining coverage:		
Expected incurred claims and other insurance service expenses	640,670	380,511
Change in risk adjustment for nonfinancial risk for risk expired	352,824	209,460
CSM recognised for services provided	751,472	618,471
Recovery of insurance acquisition cashflows	202,983	46,842
Contracts not measured under the PAA	1,947,949	1,255,284
Expected incurred claims and other insurance service expenses	422,993	655,382
Recovery of insurance acquisition cashflows	20,355	94,888
Contracts measured under the PAA	443,348	750,270
	2,391,297	2,005,554

	2023	2022 (restated)
Fee income		
Trustee fee	190,707	186,355
Assess management fee	487,869	468,536
Investment contract fee and others	21,635	58,801
	700,211	713,692

8. INSURANCE SERVICE EXPENSES

	2023	2022 (restated)
	HK$'000	HK$'000
Incurred claims and other incurred insurance service expenses	(1,370,221)	(1,233,708)
Changes that relate to past service - adjustment to the LIC	(18,795)	(68,968)
Changes that relate to future service - losses on onerous groups of contracts and reversal of such losses	(13,672)	(97,906)
Insurance acquisition cash flows - amortisation	(223,338)	(141,730)
	(1,626,026)	(1,542,312)

9. REINSURANCE CONTRACT HELD NET INCOME (EXPENSES)

An analysis of allocation of reinsurance premiums paid and amounts recovered from reinsurers, are presented in the tables below:

	2023	2022 (restated)
	HK$'000	HK$'000
Allocation of reinsurance premiums paid		
Amounts relating to changes in the remaining coverage		
Expected incurred claims and other insurance service expenses	(131,400)	(81,657)
Change in risk adjustment for nonfinancial risk for risk expired	(32,391)	(19,242)
CSM recognised for services provided	(45,572)	(46,722)
Contracts not measured under the PAA	(209,363)	(147,621)
Contracts measured under the PAA	834	(22,508)

	2023	2022 (restated)
Amounts recovered from reinsurers		
Amounts recoverable for incurred claims and other incurred insurance service expenses	161,380	296,097
Changes in amounts recoverable that relate to past service – adjustments to incurred claims	515	237
Recoveries of loss on recognition of underlying onerous contracts	7,065	(73)
Contracts not measured under the PAA	168,960	296,261
Contracts measured under the PAA	3,220	(38,562)
Net (expenses) income from reinsurance contracts held	(36,349)	87,570

SLHK entered into the modified coinsurance ("ModCo") with Munich Re in August 2016 to provide capital relief on Hong Kong Insurance Ordinance ("HKIO") Basis. However, the ModCo will no longer provide capital relief under the Hong Kong Risk-Based Capital ("HKRBC") regime. In Q1 2023, in anticipation of SLHK to obtain approval from Hong Kong Insurance Authority for HKRBC early adoption with effect from Q2 2023, coupled with healthy solvency ratio under HKIO basis at the time and higher risk charge of the ModCo due to increased HIBOR rate, SLHK decided to recapture the Modco treaty with effect from March 31, 2023.

10. NET INVESTMENT RESULT

Net investment income (loss)

For the year ended December 31, 2023	**Financial Instruments at FVOCI (HK$'000)**	**Financial Instruments at FVTPL (HK$'000)**	**Total (HK$'000)**
Interest income:			
Cash, cash equivalents and short-term investments	-	167,926	167,926
Debt securities	143,841	2,718,927	2,862,768
Mortgages and loans	-	13,525	13,525
Derivative investments	-	2,651	2,651
Other financial invested assets	-	54,214	54,214
Other income	64	13,686	13,750
Total interest income	143,905	2,970,929	3,114,834
Dividend and other investment income:			
Equity securities	16,834	249,325	266,159
Net realised and unrealised gains (losses):			
Debt securities	168,869	1,857,585	2,026,454
Equity securities	53	(725,997)	(725,944)
Mortgages and loans	12,191	562,334	574,525
Derivative investments	-	498,698	498,698
Other financial invested assets	2,086	(277,348)	(275,262)
Total net realised and unrealised gains (losses)	183,199	1,915,272	2,098,471
Change in financial liabilities from investment contracts	-	80,512	80,512
Provision for expected credit losses	(828)	-	(828)
Net investment income from financial instruments	343,110	5,216,038	5,559,148

10. NET INVESTMENT RESULT - continued

Net investment income (loss) - continued

	2022 (restated) HK$'000
Interest income on debt securities [(1)]	2,762,300
Interest income on bank deposits	12,167
Interest income on loans	58,501
Dividends from equity securities [(1)]	263,419
Net realised loss on financial assets designated at fair value through profit or loss, available-for-sale investments and derivative financial instruments	(10,718)
Net unrealised loss on financial assets designated at fair value through profit or loss, and derivative financial instruments [(2)]	(18,870,564)
Change in financial liabilities from investment contracts	1,181,208
	(14,603,687)

(1) For cash flow reporting purposes, interest and dividends received by the Group during the year were HK$2,980 million in total in 2022.

(2) Restatements represent gross up of fair value changes in segregated fund asset due to application of HKFRS 17.

Investment (loss) income on financial instruments, analysed by category of financial instruments, is as follows:

	2022 (restated) HK$'000
Available-for-sale investments	301,533
Loans and receivables (including bank balances)	70,668
Financial assets designated at fair value through profit or loss	(16,320,928)
Held-to-maturity investments	27,869
Derivative financial instruments	135,963
Financial liabilities from investment contracts	1,181,208
	(14,603,687)

10. NET INVESTMENT RESULT - continued

Insurance finance (expenses) income from insurance contracts issued

	2023 HK$'000	2022 HK$'000
Effect of time value of money (interest on carrying value) including interest on policy loans and interest on amounts on deposits	(159,068)	(192,303)
Impact of change in discount rate on fulfilment cash flows excluding where measured at locked-in rates and effect of changes in financial risk	(434,202)	2,624,750
Changes in fair value of underlying items for contracts with direct participation features	(4,625,132)	15,911,818
Foreign exchange gains (losses)	5,574	(116,333)
Total insurance finance (expenses) income from insurance contracts issued	(5,212,828)	18,227,932

Insurance finance income (expenses) from reinsurance contracts held

	2023 HK$'000	2022 HK$'000
Effect of time value of money interest accreted	835,457	170,196
Impact of change in discount rate on fulfilment cash flows excluding where measured at locked-in rates and effect of changes in financial risk	487,820	(3,541,023)
Changes in fair value of underlying items for contracts with direct participation features	(911,112)	1,421,067
Foreign exchange gains (losses) gains	(6,204)	49,126
Total insurance finance income (expenses) from reinsurance contracts held	405,961	(1,900,634)

11. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	10,901	9,784
Interest expenses on subordinated loans (note 26)	24,730	10,339
Interest expenses on investments in securities	35,897	-
	71,528	20,123

12. INCOME TAX (EXPENSE) CREDIT

	2023 HK$'000	2022 (restated) HK$'000
Current tax:		
Hong Kong	(16,837)	(44,857)
Overprovision in prior year	1,417	3,642
Deferred tax (note 28):		
Charge for the year	4,792	71,193
	(10,628)	29,978

Under the Hong Kong Inland Revenue Ordinance, assessable profit from the business of individual life insurance in Hong Kong is deemed to be 5% of the net premium income for the year. Hong Kong Profits Tax on other businesses is calculated at 16.5% during 2023 and 2022 of the estimated assessable profit for the year.

The tax (expense) credit for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss as follows:

	2023 HK$'000	2022 (restated) HK$'000
Profit before taxation	992,373	1,467,739
Less: Profit before taxation from life insurance business	(1,235,731)	831,895
	(243,358)	2,299,634
Tax on profit at the income tax rate of 16.5%	40,154	(379,440)
Tax on life insurance business [(1)]	(89,114)	28,020
Tax effect of income not taxable	35,551	36,385
Tax effect of expenses non deductible for determining taxable profit	(2,579)	(15,109)
Tax effect of tax losses not recognised	(1,645)	(1,584)
Overprovision in respect of prior year	1,417	3,642
Others (including the impact of adoption of HKFRS17)	5,588	358,064
Income tax (expense) credit for the year	(10,628)	29,978

Note (1): Life insurance tax refers to the differences which arise where the tax regime specific to the life insurance business does not adopt net income as the basis for calculating taxable profit, for example Hong Kong, where life business taxable profit is derived from life premiums.

13. PROFIT FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration		
Fees	3,190	3,485
Other emoluments	14,776	12,283
Net contributions to retirement benefit plans and Mandatory Provident Fund Scheme	1,004	991
Share-based payments	14,685	10,069
Staff costs [1]		
Salaries and other benefits	781,778	587,038
Net contributions to retirement benefit plans and Mandatory Provident Fund Scheme	45,243	36,504
Other operating expenses		
Amortisation of intangible assets (note 18)	327,124	202,080
Auditor's remuneration	5,371	3,927
Depreciation of plant and equipment (note 16)	44,531	30,428
Depreciation of right-of-use assets (note 17)	135,521	137,944
Loss on disposal of plant and equipment (note 16)	294	-
Loss on write-off of intangible assets (note 18)	842	13,213
Other expenses	685,658	1,227,681
	1,199,341	1,615,273

The aggregate amount of the emoluments of the three highest paid directors is HK$13,791,000 (2022: HK$11,458,000).

[1] Staff costs including both attributable expenses and operating expenses.

14. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2023	2022
	HK$'000	HK$'000
Unlisted shares, at cost	329,192	329,192
Less: impairment loss	(11,194)	(11,194)
At fair value [1]	-	731,417
	317,998	1,049,415
Amounts due from subsidiaries	37,443	3,382
Amounts due to subsidiaries	-	(450)
	355,441	1,052,347

The balances with subsidiaries are unsecured, interest-free and are repayable on demand.

Particulars of the Company's subsidiaries as at December 31, 2023 and 2022 are as follows:

Name of subsidiaries	Place of incorporation	Class of share held	Issued share capital 2023	Issued share capital 2022	Proportion ownership held directly by the Company	Proportion of voting power held by the Company	Principal activities
Sun Life Trustee Company Limited	Hong Kong	Ordinary	HK$30,000,000	HK$30,000,000	20% [2]	100%	Trustee of provident funds
Sun Life Hong Kong Services Limited	Hong Kong	Ordinary	HK$13,000,001	HK$13,000,001	100%	100%	Investments holding
Sun Life Asset Management (HK) Limited	Hong Kong	Ordinary	HK$48,200,001	HK$48,200,001	100%	100%	Asset management
Sun Life Pension Trust Limited	Hong Kong	Ordinary	HK$177,800,000	HK$177,800,000	20% [2]	100%	Trustee of provident funds
Sun Life Financial Holdings (HK) Limited	Hong Kong	Ordinary	HK$1	HK$1	100%	100%	Investments holding
Sun Life Management Holdings (HK) Limited	Hong Kong	Ordinary	HK$1	HK$1	100%	100%	Investments holding
Sun Life Investment Holdings (HK) Limited	Hong Kong	Ordinary	HK$1	HK$1	100%	100%	Investments holding

(1) The details of the investment in a subsidiary that is classified as an investment in a fund are as follows, the investment was terminated in November 2023:

Name of subsidiary	Place of incorporation/ registration	Percentage of shares held	Number of units held indirectly	Number of units in issue	Principal activity
Schroder Institutional Pooled Funds Global Balanced Fund	Hong Kong	Nil (2022:100%)	Nil (2022: 60,650,027)	Nil (2022: 60,650,027)	Investment trading

(2) The remaining 80% ownership of Sun Life Pension Trust Limited and Sun Life Trustee Company Limited were held by the subsidiaries of the Company in trust on behalf of the Company, in accordance with the requirements of the Trustee Ordinance.

15. INTEREST IN AN ASSOCIATE

THE GROUP AND THE COMPANY

	2023 HK$'000	2022 HK$'000
Carrying amount of investment in an associate	177,558	228,385
Capital injection [(1)]	252,217	-
Share of post-acquisition loss	(46,427)	(50,827)
	383,348	177,558

The associate is accounted for using the equity method in the consolidated financial information. Particulars of this associate as at December 31, 2023 are as follows:

Name of associate	Place of incorporation	Principal place of business	Proportion of ownership and voting rights held by the Company
Bowtie Life Insurance Company Limited	Hong Kong	Hong Kong	49.99% (2022: 42.58%)

Summarised financial information of the associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRS.

	2023 HK$'000	2022 HK$'000
Total assets	347,739	164,920
Total liabilities	98,597	77,497
Total equity	249,142	87,423
Net loss	(121,172)	(113,062)

[(1)] In May 2023, there was conversion of the convertible note issued by the associate to preference shares. As a result, the Company's share of interest in the associate increased by 2.20% to 44.78% upon completion of the transaction. In September 2023, the Company participated in a Series B2 fundraising announced by the associate. As a result, the Company made an additional capital injection of HK$190 million and its share of interest in the associate increased by 5.21% to 49.99% upon completion of the transaction.

16. PLANT AND EQUIPMENT

THE GROUP AND THE COMPANY

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
COST					
At January 1, 2022	300,407	37,286	18,346	90,419	446,458
Additions	5,710	-	262	7,030	13,002
At December 31, 2022	306,117	37,286	18,608	97,449	459,460
Additions	10,945	3,683	2,675	18,872	36,175
Disposals	-	-	-	(294)	(294)
At December 31, 2023	317,062	40,969	21,283	116,027	495,341
DEPRECIATION AND IMPAIRMENT					
At January 1, 2022	205,627	21,924	14,646	77,733	319,930
Provided for the year	17,523	2,590	934	9,381	30,428
At December 31, 2022	223,150	24,514	15,580	87,114	350,358
Provided for the year	22,978	3,047	1,447	17,059	44,531
At December 31, 2023	246,128	27,561	17,027	104,173	394,889
CARRYING VALUES					
At December 31, 2023	70,934	13,408	4,256	11,854	100,452
At December 31, 2022	82,967	12,772	3,028	10,335	109,102

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The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20% or over the remaining life of the lease whichever is shorter
Furniture and fixtures	10% - 33.33%
Office and computer equipment	20% - 33.33%

17. RIGHT-OF-USE ASSETS

THE GROUP AND THE COMPANY

	Leasehold properties HK$'000	Computer equipment HK$'000	Others HK$'000	Total HK$'000
As at January 1, 2022	304,753	60,641	8,720	374,114
Additions	33,265	-	23,389	56,654
Depreciation charge for the year	(106,859)	(20,195)	(10,890)	(137,944)
As at December 31, 2022	231,159	40,446	21,219	292,824
Additions	42,360	-	-	42,360
Depreciation charge for the year	(104,668)	(20,251)	(10,602)	(135,521)
As at December 31, 2023	168,851	20,195	10,617	199,663

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	61	193
Total cash outflow for leases	151,845	139,538

18. INTANGIBLE ASSETS

THE GROUP AND THE COMPANY

	DOC [2] (MPF contracts)	Goodwill	Other Intangibles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At January 1, 2022	1,212,322	374,937	757,286	2,344,545
Expense capitalised	165,847	-	-	165,847
Addition	-	-	15,431	15,431
Write-off	-	(1,980)	(11,233)	(13,213)
At December 31, 2022	1,378,169	372,957	761,484	2,512,610
Expense capitalised	128,255	-	-	128,255
Addition[1]	-	-	1,956,526	1,956,526
Write-off	-	-	(842)	(842)
At December 31, 2023	1,506,424	372,957	2,717,168	4,596,549
AMORTISATION				
At January 1, 2022	347,905	-	186,040	533,945
Charge for the year	130,697	-	71,383	202,080
At December 31, 2022	478,602	-	257,423	736,025
Charge for the year	144,778	-	182,346	327,124
At December 31, 2023	623,380	-	439,769	1,063,149
CARRYING VALUES				
At December 31, 2023	883,044	372,957	2,277,399	3,533,400
At December 31, 2022	899,567	372,957	504,061	1,776,585

(1) Addition on other intangible assets during 2023 are mainly HK$1,500 million upfront access fee for 15-year exclusive bancassurance partnership with Dah Sing Bank, Limited, which are amortised based on the number of policies. Others mainly comprises of software development, which are amortised on a straight-line basis over the useful life of 5 years.

(2) DOC represent the assets recognised in respect to the incremental costs of obtaining the customers contracts with expectation that these costs are recoverable.

18. INTANGIBLE ASSETS - continued

DOC has definite useful lives. Such assets are amortised in line with the recognition of the associated revenue from the provision of investment management services.

The entire operations of the Group and the Company are considered as a single cash-generating unit ("CGU"). Goodwill arising from the acquisition of life insurance operations and the acquisition of the MPF business is tested for impairment by determining the recoverable amount of the CGU based on a value in use calculation. These calculations use the estimated cash flows projected from new business based on expected profitability established during pricing. Future cash flows cover the expected life of the underlying policies are discounted to the present value using a risk-adjusted discount rate of 11% (2022: 11%). The recoverable amount is most sensitive to changes in the discount rate. Management believes that any reasonable changes to the discount rates would not cause the aggregate carrying amount of the goodwill to exceed the recoverable amount. During the years ended December 31, 2023 and 2022, the Group and the Company assessed the recoverable amount of the intangible assets and determined that those were not impaired.

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS

THE GROUP AND THE COMPANY

(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 income statement and consolidated statement of comprehensive income. The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated income statement and 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.

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(a) **Movement in carrying amounts** - continued

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

		2023				2022			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
HK$'000	Notes	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Opening assets		(706,150)	-	(899,580)	(1,605,730)	(1,233,036)	-	197,316	(1,035,720)
Opening liabilities		82,496,951	107,139	982,301	83,586,391	96,132,253	-	(84,525)	96,047,728
Net opening balance		**81,790,801**	**107,139**	**82,721**	**81,980,661**	**94,899,217**	**-**	**112,791**	**95,012,008**
Insurance revenue	*7*	(1,947,949)	-	-	(1,947,949)	(1,255,284)	-	-	(1,255,284)
Insurance service expenses									
Incurred claims and other insurance service expenses paid for insurance contracts issued, excluding insurance acquisition cash flows		-	23,802	1,139,398	1,163,200	-	8,617	697,868	706,485
Amortisation of insurance acquisition cash flows		202,982	-	-	202,982	46,841	-	-	46,841
Losses and reversal of losses on onerous contracts		-	13,672	-	13,672	-	97,905	-	97,905
Adjustments to liabilities for incurred claims		-	-	14,588	14,588	-	-	51,429	51,429
Total insurance service expenses	*8*	**202,982**	**37,474**	**1,153,986**	**1,394,442**	**46,841**	**106,522**	**749,297**	**902,660**
Other changes		(66,223)	3,593	62,630	-	-	-	-	-
Insurance service result		**(1,811,190)**	**41,067**	**1,216,616**	**(553,507)**	**(1,208,443)**	**106,522**	**749,297**	**(352,624)**
Insurance finance (income) expenses	*10*	5,216,709	3,746	(7,627)	5,212,828	(18,227,972)	617	(608)	(18,227,963)
Effect of movements in exchange rates		-	-	-	-	-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**3,405,519**	**44,813**	**1,208,989**	**4,659,321**	**(19,436,415)**	**107,139**	**748,689**	**(18,580,587)**
Cash flows									
Premiums received		10,372,324	-	-	10,372,324	10,904,477	-	-	10,904,477
Claims and other insurance service expenses paid, including investment components		-	-	(7,733,511)	(7,733,511)	-	-	(4,410,994)	(4,410,994)
Insurance acquisition cash flows paid		(2,347,139)	-	-	(2,347,139)	(1,003,314)	-	-	(1,003,314)
Non-cash/ others		2,075,031	-	(557,475)	1,517,556	58,865	-	206	59,071
Total cash flows		**10,100,216**	**-**	**(8,290,986)**	**1,809,230**	**9,960,028**	**-**	**(4,410,788)**	**5,549,240**
Investment components excluded from insurance revenue and insurance service expense:									
Expected incurred claims		(7,316,281)	-	7,124,787	(191,494)	(3,503,358)	-	3,632,029	128,671
Experience adjustments		191,494	-	-	191,494	(128,671)	-	-	(128,671)
Net closing balance		**88,171,749**	**151,952**	**125,511**	**88,449,212**	**81,790,801**	**107,139**	**82,721**	**81,980,661**
Closing assets		(407,654)	-	140,157	(267,497)	(706,150)	-	(899,580)	(1,605,730)
Closing liabilities		88,579,403	151,952	(14,646)	88,716,709	82,496,951	107,139	982,301	83,586,391
Net closing balance		**88,171,749**	**151,952**	**125,511**	**88,449,212**	**81,790,801**	**107,139**	**82,721**	**81,980,661**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(a) **Movement in carrying amounts** - continued

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

		2023			
HK$'000	*Notes*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets		(2,583,602)	229,808	748,064	(1,605,730)
Opening liabilities		72,874,954	2,300,130	8,411,307	83,586,391
Net opening balance		**70,291,352**	**2,529,938**	**9,159,371**	**81,980,661**
Insurance service result					
Changes that relate to current services					
Amount of CSM recognised in P&L to reflect the transfer of services	*7*	-	-	(751,472)	(751,472)
Change in risk adjustment for non-financial risk	*7*	-	(352,824)	-	(352,824)
Experience adjustments		216,370	-	-	216,370
Others		278,308	-	-	278,308
Changes that relate to future services					
Contracts initially recognised in the year		(1,588,538)	414,029	1,188,181	13,672
Changes in estimates that adjust the CSM		(6,244,027)	2,915,033	3,328,994	-
Changes in estimates that do not adjust CSM, i.e. losses on groups of onerous contracts and reversals of such losses		50,115	(22,264)	-	27,851
Changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims		14,523	65	-	14,588
Total insurance service result		**(7,273,249)**	**2,954,039**	**3,765,703**	**(553,507)**
Insurance finance (income) expenses	*10*	5,516,535	(355,865)	52,158	5,212,828
Effect of movements in exchange rates		-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(1,756,714)**	**2,598,174**	**3,817,861**	**4,659,321**
Cash flows		1,809,230	-	-	1,809,230
Net closing balance		**70,343,868**	**5,128,112**	**12,977,232**	**88,449,212**
Closing assets		(1,063,971)	250,461	546,013	(267,497)
Closing liabilities		71,407,839	4,877,651	12,431,219	88,716,709
Net closing balance		**70,343,868**	**5,128,112**	**12,977,232**	**88,449,212**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(a) **Movement in carrying amounts** - continued

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

		2022			
HK$'000	*Notes*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets		(2,244,225)	456,601	751,904	(1,035,720)
Opening liabilities		88,193,757	2,097,033	5,756,938	96,047,728
Net opening balance		**85,949,532**	**2,553,634**	**6,508,842**	**95,012,008**
Insurance service result					
Changes that relate to current services					
Amount of CSM recognised in P&L to reflect the transfer of services	7	-	-	(618,471)	(618,471)
Change in risk adjustment for non-financial risk	7	-	(209,460)	-	(209,460)
Experience adjustments		144,948		-	144,948
Others		-	-	-	-
Changes that relate to future services					
Contracts initially recognised in the year		(929,458)	187,245	919,138	176,925
Changes in estimates that adjust the CSM		(2,511,500)	177,752	2,333,748	-
Changes in estimates that do not adjust CSM, i.e. losses on groups of onerous contracts and reversals of such losses		134,754	(32,749)	-	102,005
Changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims		50,061	1,368	-	51,429
Total insurance service result		**(3,111,195)**	**124,156**	**2,634,415**	**(352,624)**
Insurance finance (income) expenses	*10*	(18,096,225)	(147,852)	16,114	(18,227,963)
Effect of movements in exchange rates		-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(21,207,420)**	**(23,696)**	**2,650,529**	**(18,580,587)**
Cash flows		5,549,240	-	-	5,549,240
Net closing balance		**70,291,352**	**2,529,938**	**9,159,371**	**81,980,661**
Closing assets		(2,583,602)	229,808	748,064	(1,605,730)
Closing liabilities		72,874,954	2,300,130	8,411,307	83,586,391
Net closing balance		**70,291,352**	**2,529,938**	**9,159,371**	**81,980,661**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - 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

		2023				2022			
		Asset for remaining coverage		Asset for incurred claims	Total	Asset for remaining coverage		Asset for incurred claims	Total
HK$'000	Note	Excluding loss-recovery component	Loss-recovery component			Excluding loss-recovery component	Loss-recovery component		
Opening assets		(1,025,541)	5	(457,641)	(1,483,177)	(9,279,312)	-	6,760,698	(2,518,614)
Opening liabilities		(14,870,208)	31	16,702,315	1,832,138	476,566	-	368,876	845,442
Net opening balance		**(15,895,749)**	**36**	**16,244,674**	**348,961**	**(8,802,746)**	**-**	**7,129,574**	**(1,673,172)**
Changes in the consolidated income statement and consolidated statement of comprehensive income									
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		213,238	(5,543)	(175,401)	32,294	192,599	38	(219,138)	(26,501)
Effect of changes in the risk of non-performance by the issuer of reinsurance contracts held		-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts held		**213,238**	**(5,543)**	**(175,401)**	**32,294**	**192,599**	**38**	**(219,138)**	**(26,501)**
Insurance finance income (expenses) from reinsurance contracts held	*10*	(404,507)	(199)	(1,255)	(405,961)	1,900,583	(2)	56	1,900,637
Effect of movements in exchange rates		-	-	-	-	-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(191,269)**	**(5,742)**	**(176,656)**	**(373,667)**	**2,093,182**	**36**	**(219,082)**	**1,874,136**
Cash flows									
Premiums paid		(1,198,087)	-	-	(1,198,087)	(11,985,495)	-	-	(11,985,495)
Amounts recovered from reinsurers		(910,915)	-	771,503	(139,412)	1,421,067	-	10,754,141	12,175,208
Non-cash/ others		99,953	-	373,860	473,813	477,429	-	(519,145)	(41,716)
Total cash flows		**(2,009,049)**	**-**	**1,145,363**	**(863,686)**	**(10,086,999)**	**-**	**10,234,996**	**147,997**
Investment components excluded from net expenses from reinsurance contracts held									
Expected incurred claims		612,735	-	(620,598)	(7,863)	642,385	-	(900,814)	(258,429)
Experience adjustments		7,863	-	-	7,863	258,429	-	-	258,429
Net closing balance		**(17,475,469)**	**(5,706)**	**16,592,783**	**(888,392)**	**(15,895,749)**	**36**	**16,244,674**	**348,961**
Closing assets		(1,553,012)	(236)	357,908	(1,195,340)	(1,025,541)	5	(457,641)	(1,483,177)
Closing liabilities		(15,922,457)	(5,470)	16,234,875	306,948	(14,870,208)	31	16,702,315	1,832,138
Net closing balance		**(17,475,469)**	**(5,706)**	**16,592,783**	**(888,392)**	**(15,895,749)**	**36**	**16,244,674**	**348,961**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(a) **Movement in carrying amounts** - continued

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

		2023			
HK$'000	*Notes*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets		(1,051,108)	(478,912)	46,843	(1,483,177)
Opening liabilities		2,891,974	(300,810)	(759,026)	1,832,138
Net opening balance		**1,840,866**	**(779,722)**	**(712,183)**	**348,961**
Net expenses from reinsurance contracts held					
Changes that relate to current services					
Amount of CSM recognised in P&L to reflect the transfer of services	*9*	-	-	45,572	45,572
Change in risk adjustment for non-financial risk	*9*	-	32,391	-	32,391
Experience adjustments		(27,266)	-	-	(27,266)
Others		(10,720)	-	-	(10,720)
Changes that relate to future services					
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	-	-
Contracts initially recognised in the year		18,816	(12,483)	(7,363)	(1,030)
Changes in estimates that adjust the CSM		225,580	12,907	(238,487)	-
Changes in estimates that do not adjust CSM, i.e. losses on groups of onerous contracts and reversals of such losses		46,679	(52,817)	-	(6,138)
Changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims		(483)	(32)	-	(515)
Total net expenses from reinsurance contracts held		**252,606**	**(20,034)**	**(200,278)**	**32,294**
Insurance finance income (expenses) from reinsurance contracts held	*10*	(273,875)	(86,569)	(45,517)	(405,961)
Effect of movements in exchange rates		-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(21,269)**	**(106,603)**	**(245,795)**	**(373,667)**
Cash flows		(863,686)	-	-	(863,686)
Net closing balance		**955,911**	**(886,325)**	**(957,978)**	**(888,392)**
Closing assets		(332,864)	(608,167)	(254,309)	(1,195,340)
Closing liabilities		1,288,775	(278,158)	(703,669)	306,948
Net closing balance		**955,911**	**(886,325)**	**(957,978)**	**(888,392)**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(a) **Movement in carrying amounts** - continued

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

2022

HK$'000	*Notes*	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets		(1,352,173)	(612,479)	(553,962)	(2,518,614)
Opening liabilities		881,781	(41,332)	4,993	845,442
Net opening balance		**(470,392)**	**(653,811)**	**(548,969)**	**(1,673,172)**
Net expenses from reinsurance contracts held					
Changes that relate to current services					
Amount of CSM recognised in P&L to reflect the transfer of services	*9*	-	-	46,722	46,722
Change in risk adjustment for non-financial risk	*9*	-	19,242	-	19,242
Experience adjustments		(166,725)	-	-	(166,725)
Others		-	-	-	-
Changes that relate to future services					
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	-	-
Contracts initially recognised in the year		515,937	(201,126)	(314,966)	(155)
Changes in estimates that adjust the CSM		(137,235)	(15,997)	153,232	-
Changes in estimates that do not adjust CSM, i.e. losses on groups of onerous contracts and reversals of such losses		74,745	(93)	-	74,652
Changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims		(230)	(7)	-	(237)
Total net expenses from reinsurance contracts held		**286,492**	**(197,981)**	**(115,012)**	**(26,501)**
Insurance finance income (expenses) from reinsurance contracts held	*10*	1,876,769	72,070	(48,202)	1,900,637
Effect of movements in exchange rates		-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**2,163,261**	**(125,911)**	**(163,214)**	**1,874,136**
Cash flows		147,997	-	-	147,997
Net closing balance		**1,840,866**	**(779,722)**	**(712,183)**	**348,961**
Closing assets		(1,051,108)	(478,912)	46,843	(1,483,177)
Closing liabilities		2,891,974	(300,810)	(759,026)	1,832,138
Net closing balance		**1,840,866**	**(779,722)**	**(712,183)**	**348,961**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(a) **Movement in carrying amounts** - continued

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

		2023					2022				
		Liabilities for remaining coverage		Liabilities for incurred claims		Total	Liabilities for remaining coverage		Liabilities for incurred claims		Total
HK$'000	*Notes*	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non- financial risk	
Opening assets		-	-	-	-	-	-	-	-	-	-
Opening liabilities		253,327	-	76,146	-	329,473	276,782	-	33,337	-	310,119
Net opening balance		**253,327**	**-**	**76,146**	**-**	**329,473**	**276,782**	**-**	**33,337**	**-**	**310,119**
Insurance revenue	*7*	(443,348)	-	-	-	(443,348)	(750,270)	-	-	-	(750,270)
Insurance service expenses											
Incurred claims and other insurance service expenses paid for insurance contracts issued, excluding insurance acquisition cash flows		-	-	207,021	-	207,021	-	-	527,223	-	527,223
Amortisation of insurance acquisition cash flows		20,356	-	-	-	20,356	94,889	-	-	-	94,889
Losses and reversal of losses on onerous contracts		-	-	-	-	-	-	-	-	-	-
Adjustments to liabilities for incurred claims		-	-	4,207	-	4,207	-	-	17,539	-	17,539
Total insurance service expenses	*8*	**20,356**	**-**	**211,228**	**-**	**231,584**	**94,889**	**-**	**544,762**	**-**	**639,651**
Other changes		62,630	-	(62,630)	-	-	-	-	-	-	-
Insurance service result		**(360,362)**	**-**	**148,598**	**-**	**(211,764)**	**(655,381)**	**-**	**544,762**	**-**	**(110,619)**
Insurance finance (income) expenses	*10*	-	-	-	-	-	12	-	19	-	31
Effect of movements in exchange rates		-	-	-	-	-	-	-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**(360,362)**	**-**	**148,598**	**-**	**(211,764)**	**(655,369)**	**-**	**544,781**	**-**	**(110,588)**
Cash flows											
Premiums received		217,526	-	-	-	217,526	666,233	-	-	-	666,233
Claims and other insurance service expenses paid, including investment components		-	-	(276,718)	-	(276,718)	-	-	(502,448)	-	(502,448)
Insurance acquisition cash flows paid		-	-	-	-	-	(33,835)	-	-	-	(33,835)
Non-cash/ others		-	-	-	-	-	(8)	-	-	-	(8)
Total cash flows		**217,526**	**-**	**(276,718)**	**-**	**(59,192)**	**632,390**	**-**	**(502,448)**	**-**	**129,942**
Investment components excluded from insurance revenue and insurance service expense											
Expected incurred claims		-	-	-	-	-	3,889	-	476	-	4,365
Experience adjustments		-	-	-	-	-	(4,365)	-	-	-	(4,365)
Net closing balance		**110,491**	**-**	**(51,974)**	**-**	**58,517**	**253,327**	**-**	**76,146**	**-**	**329,473**
Closing assets		-	-	-	-	-	-	-	-	-	-
Closing liabilities		110,491	-	(51,974)	-	58,517	253,327	-	76,146	-	329,473
Net closing balance		**110,491**	**-**	**(51,974)**	**-**	**58,517**	**253,327**	**-**	**76,146**	**-**	**329,473**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(a) Movement in carrying amounts - continued

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach

		2023					2022				
		Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage		Asset for incurred claims		
HK$'000	*Note*	Excluding loss recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding loss recovery component	Loss-recovery component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets		(1,126)	-	(10,620)	-	(11,746)	(1,860)	-	-	-	(1,860)
Opening liabilities		-	-	-	-	-	-	-	-	-	-
Net opening balance		**(1,126)**	**-**	**(10,620)**	**-**	**(11,746)**	**(1,860)**	**-**	**-**	**-**	**(1,860)**
Changes in the consolidated income statement and consolidated statement of comprehensive income											
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		575	-	(7,241)	-	(6,666)	(22,508)	-	(38,562)	-	(61,070)
Effect of changes in the risk of non-performance by the issuer of reinsurance contracts held		-	-	-	-	-	-	-	-	-	-
Other changes		258	-	10,461	-	10,719	-	-	-	-	-
Net expenses from reinsurance contracts held		**833**	**-**	**3,220**	**-**	**4,053**	**(22,508)**	**-**	**(38,562)**	**-**	**(61,070)**
Insurance finance income (expenses) from reinsurance contracts held	*10*	-	-	-	-	-	(3)	-	-	-	(3)
Effect of movements in exchange rates		-	-	-	-	-	-	-	-	-	-
Total changes in the consolidated income statement and consolidated statement of comprehensive income		**833**	**-**	**3,220**	**-**	**4,053**	**(22,511)**	**-**	**(38,562)**	**-**	**(61,073)**
Cash flows											
Premiums paid		(2,825)	-	-	-	(2,825)	23,245	-	-	-	23,245
Amounts recovered from reinsurers		-	-	7,347	-	7,347	-	-	27,942	-	27,942
Non-cash/ others		-	-	-	-	-	-	-	-	-	-
Total cash flows		**(2,825)**	**-**	**7,347**	**-**	**4,522**	**23,245**	**-**	**27,942**	**-**	**51,187**
Investment components excluded from net expenses from reinsurance contracts held											
Expected incurred claims		-	-	-	-	-	-	-	-	-	-
Experience adjustments		-	-	-	-	-	-	-	-	-	-
Net closing balance		**(3,118)**	**-**	**(53)**	**-**	**(3,171)**	**(1,126)**	**-**	**(10,620)**	**-**	**(11,746)**
Closing assets		(3,118)	-	(53)	-	(3,171)	(1,126)	-	(10,620)	-	(11,746)
Closing liabilities		-	-	-	-	-	-	-	-	-	-
Net closing balance		**(3,118)**	**-**	**(53)**	**-**	**(3,171)**	**(1,126)**	**-**	**(10,620)**	**-**	**(11,746)**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

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

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 premium allocation approach that were initially recognised in the year.

Insurance contracts

HK$'000	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Total
2023				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	4,293,177	70,375	-	4,363,552
Claims payable and other expenses	10,443,777	494,244	-	10,938,021
Total estimates of present value of future cash outflows	**14,736,954**	**564,619**	-	**15,301,573**
Estimates of present value of future cash inflows	(16,320,166)	(569,945)	-	(16,890,111)
Risk adjustment for non-financial risk	395,031	18,998	-	414,029
Contractual service margin	1,188,181	-	-	1,188,181
Losses recognised on initial recognition	-	**13,672**	-	**13,672**
2022				
Estimates of present value of future cash outflows				
Insurance acquisition cash flows	933,848	3,892	-	937,740
Claims payable and other expenses	3,807,910	143,886	-	3,951,796
Total estimates of present value of future cash outflows	**4,741,758**	**147,778**	-	**4,889,536**
Estimates of present value of future cash inflows	(5,847,308)	(50,705)	-	(5,898,013)
Risk adjustment for non-financial risk	186,412	833	-	187,245
Contractual service margin	919,138	-	-	919,138
Losses recognised on initial recognition	-	**97,906**	-	**97,906**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

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

Reinsurance contracts held

HK$'000	2023 Contracts purchased individually	2023 Contracts acquired	2023 Total	2022 Contracts purchased individually	2022 Contracts acquired	2022 Total
Estimates of present value of future cash inflows	(117,652)	-	(117,652)	(8,961,938)	-	(8,961,938)
Estimates of present value of future cash outflows	136,468	-	136,468	9,477,875	-	9,477,875
Risk adjustment for non-financial risk	(12,483)	-	(12,483)	(201,126)	-	(201,126)
Income recognised on initial recognition	1,030	-	1,030	155	-	155
Contractual service margin	**7,363**	**-**	**7,363**	**314,966**	**-**	**314,966**

(c) Analysis of contractual service margin

The following table illustrates when the Company expects to recognise the remaining contractual service margin as revenue for contracts not measured under the premium allocation approach.

HK$'000	Total	Five year or less	After five years through ten years	After ten years
2023				
Insurance contracts	12,977,232	4,164,624	2,923,788	5,888,820
Reinsurance contracts held	(957,978)	(321,046)	(225,392)	(411,540)
2022				
Insurance contracts	9,159,371	2,415,599	1,813,977	4,929,795
Reinsurance contracts held	(712,183)	(187,227)	(144,762)	(380,194)

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(d) CSM and Insurance Revenue by Transition Method

Insurance contracts

The following tables show the reconciliations of the CSM and the amount of insurance revenue recognised separately for insurance contracts that existed at the transition date to which the fair value transition approach was applied. The reconciliation of the CSM for all other contracts is for contracts issued after the transition date and contracts at the transition date that are not measured using the PAA. Insurance revenue for all other contracts includes contracts issued after the transition date as well as all revenue from all contracts measured using the PAA.

	2023				2022			
HK$'000	Contracts measured under the fair value approach at transition	Contracts measured under the modified retrospective approach at transition	Others	Total	Contracts measured under the fair value approach at transition	Contracts measured under the modified retrospective approach at transition	Others	Total
Insurance revenue	1,192,656	-	1,198,641	2,391,297	1,527,107	-	478,447	2,005,554
CSM as at 1 January	8,410,389	-	748,982	9,159,371	6,395,703	-	113,139	6,508,842
Changes that relate to current service:								
CSM recognised for the services provided	(620,851)	-	(130,621)	(751,472)	(565,062)	-	(53,409)	(618,471)
Changes that relate to future service:								
Changes in estimates that adjust CSM	1,596,932	-	1,732,062	3,328,994	2,563,857	-	(230,109)	2,333,748
Contracts initially recognized in the year	-	-	1,188,181	1,188,181	-	-	919,138	919,138
Insurance finance income from insurance contracts issued	16,190	-	35,968	52,158	15,891	-	223	16,114
Foreign currency translation	-	-	-	-	-	-	-	-
CSM as at 31 December	**9,402,660**	**-**	**3,574,572**	**12,977,232**	**8,410,389**	**-**	**748,982**	**9,159,371**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(d) CSM and Insurance Revenue by Transition Method - continued

Reinsurance contracts held

The following tables show the reconciliations of the CSM separately for reinsurance contracts held that existed at the transition date to which the fair value transition approach was applied. The reconciliation of the CSM for all other contracts is for contracts issued after the transition date that are not measured using the PAA.

	2023				2022			
HK$'000	Contracts measured under the fair value approach at transition	Contracts measured under the modified retrospective approach at transition	Others	Total	Contracts measured under the fair value approach at transition	Contracts measured under the modified retrospective approach at transition	Others	Total
Allocation of reinsurance premiums paid	(81,595)	-	(126,934)	(208,529)	19,730	-	(189,859)	(170,129)
CSM as at 1 January	317,384	-	394,799	712,183	548,969	-	-	548,969
Changes that relate to current service:								
CSM recognised for the services provided	(23,790)	-	(21,782)	(45,572)	(41,374)	-	(5,348)	(46,722)
Changes that relate to future service:								
Changes in estimates that adjust CSM	328,067	-	(89,580)	238,487	(310,182)	-	156,950	(153,232)
Loss recoveries at initial recognition of onerous underlying contracts	-	-	927	927	-	-	155	155
Changes in estimates that relate to losses and reversals of losses on groups of underlying contracts	12,607	-	(12,607)	-	75,958	-	(75,958)	-
Contracts initially recognized in the year	-	-	6,436	6,436	-	-	314,811	314,811
Insurance finance income from reinsurance contracts held	28,692	-	16,825	45,517	44,013	-	4,189	48,202
Foreign currency translation	-	-	-	-	-	-	-	-
CSM as at 31 December	**662,960**	-	**295,018**	**957,978**	**317,384**	-	**394,799**	**712,183**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(e) Methodology and assumptions

General

A group of insurance contracts is measured as the total of FCF, which is the present value of future cash flows plus the risk adjustment for non-financial risk, and, for groups measured using the GMM or VFA, the CSM. In measuring the present value of future cash flows, assumptions must be made about mortality and morbidity rates, lapse and other policyholder behaviour ("policyholder behaviour"), expenses and other factors over the life of our products, and the prevailing market view of the cost of financial risk in our products. Many of these assumptions relate to events that are anticipated to occur many years in the future. Assumptions require significant judgment and regular review and, where appropriate, revision.

The RA is the compensation we require for the uncertainty related to non-financial risk in the estimates of future cash flows. This compensation is measured by discounting cash flows from applying margins to the non-financial assumptions used in the estimate of future cash flows.

The CSM represents the unearned profit that will be recognized as insurance contract services are provided.

The methods and assumptions used in the measurement of insurance contracts are reviewed regularly and are subject to external actuarial peer review.

Present Value of Future Cash Flows

Assumptions for non-financial risk variables in the present value of future cash flows are intended to be current, neutral estimates of the expected outcome. The choice of assumptions takes into account current circumstances, past experience data from our own experience or from the industry, the relationship of past to expected future experience, anti-selection, the relationship among assumptions (including those for financial risk variables), and other relevant factors.

Assumptions for financial risk variables in the present value of future cash flows are based on current observable market prices, adjusted to account for differences between the financial risk embedded in our products and those in the corresponding observed market instrument. Where no relevant market instrument is available, we use the best information available.

Mortality

Mortality refers to the rates at which death occurs for defined groups of people. Mortality assumptions are generally based on the past five to ten years of experience. Our experience is combined with industry experience or experience from reinsurers where our own experience is insufficient to be statistically valid. Assumed mortality rates for life insurance and annuity contracts include assumptions about future mortality improvement based on recent trends in population mortality and our outlook for future trends.

Morbidity

Morbidity refers to the rate of being unhealthy or disabled and the rates of recovery therefrom. Assumptions have been developed based on recent historical experience, and expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

Lapse or surrender

Policyholders may allow their policies to lapse prior to the end of the contractual coverage period by choosing not to continue to pay premiums or by surrendering their policy for the cash surrender value. Assumptions have been developed based on their recent historical experience, and their expectations of current and expected future experience. Lapse rate would vary by policy year and product type with different rates for regular and single premium where appropriate.

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(e) Methodology and assumptions - continued

Premium payment patterns

For universal life contracts, it is necessary to set assumptions about premium payment patterns. Studies prepared by industry or the actuarial profession are used for products where our experience is insufficient to be statistically valid. Premium payment patterns usually vary by plan, age at issue, method of premium payment, policy duration and financial risk variables.

Expense

Future expenses directly attributable to the fulfillment of our insurance contracts include the costs of premium collection, claims adjudication and processing, actuarial calculations, preparation and mailing of policy statements, and related overhead. Future expense assumptions are mainly based on our recent experience using an internal expense allocation methodology. Inflationary increases assumed in future expenses are based on long-term expectations.

Acquisition expenses directly attributable to portfolios of insurance contracts include the costs of selling, underwriting and issuing insurance contracts. For new insurance contracts measured using the GMM or VFA, actual or estimated directly attributable acquisition expenses are recognized in the initial measurement of the contract. If estimates are used, the difference between estimated and actual acquisition expenses adjusts the CSM when the group of insurance contracts is closed to new contracts.

Current Discount Rates

Current discount rates are used to discount estimates of future cash flows in determining the present value of future cash flows. Current discount rates reflect the time value of money, the characteristics of the cash flows, and the liquidity characteristics of the insurance contracts.

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.

As at 31 December 2023	**1 year**	**5 years**	**10 years**	**15 years**	**20 years**
SLHK	4.84% - 6.02%	3.86% - 4.97%	3.91% - 5.85%	4.12% - 6.21%	4.34% - 6.4%

As at 31 December 2022	**1 year**	**5 years**	**10 years**	**15 years**	**20 years**
SLHK	4.87% - 5.47%	4.62% - 5.3%	4.5% - 5.83%	4.69% - 5.74%	4.87% - 5.71%

*Range shown above does not include RMB (NP & UL) to avoid distortion from RMB currency.

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(f) Underlying items of contracts with direct participation features

The following table sets out the composition and the fair value of the underlying items for the Company's contracts with direct participation features at the reporting date.

	As at 31 December 2023	As at 31 December 2022
HK$'000		
Cash and cash equivalents	6,040,550	4,336,300
Financial investments and policy loan	50,510,087	41,550,317
Property held for own use and investment property	-	-
Investment in subsidiaries and associates	(8,291)	(8,292)
Other assets	2,319,768	10,341,338
Less: payables and other liabilities	(363,318)	(1,920,689)
Total	**58,498,796**	**54,298,974**

19. INSURANCE CONTRACTS/REINSURANCE CONTRACTS/FINANCIAL LIABILITIES FROM INVESTMENT CONTRACTS - continued

(g) Financial liabilities from investment contracts without DPF

	2023 HK$'000	2022 HK$'000
Analysed as follows:		
Investment linked contracts at fair value - current	471,001	551,513

Group retirement business without guarantee measured at fair value is a type of investment contract without DPF.

Movements during year are as follows:

	2023 HK$'000	2022 HK$'000
Balances as at January 1	551,513	5,210,521
Deposit	(1,180)	240,520
Interest	(60,054)	(904,667)
Withdrawals	6,861	(484,537)
Fees	(26,139)	(9,827)
Foreign exchange rate movements	-	(22,697)
Method and assumption changes [1]	-	(3,477,800)
Balances as at December 31	471,001	551,513

[1] ILAS death benefit enhancement triggered reclassification of existing ILAS investment contracts without DPF to insurance contracts. Thus the corresponding liabilities are reclassified from investment contract liabilities to insurance contract liabilities.

20. INVESTMENTS IN SECURITIES

THE GROUP

2023	Designated at FVTPL HK$'000	Measured at FVTOCI HK$'000	Total HK$'000
Fixed interest investments			
Government			
- listed	3,050,868	654,032	3,704,900
- unlisted	225,100	915	226,015
Others			
- listed	33,933,713	2,695,939	36,629,652
- unlisted	17,933,836	482,996	18,416,832
Variable interest investments			
Government			
- listed	-	-	-
- unlisted	-	-	-
Others			
- listed	5,036,850	583,314	5,575,164
- unlisted	2,374,154	551,975	2,926,129
Unit trust and equities investments			
- listed	8,922,241	-	8,922,241
- unlisted	11,845,962	-	11,845,962
Limited partnership	1,222,086	-	1,222,086
Mortgage loan investments	190,500	-	190,500
	84,735,310	4,924,171	89,659,481
Total			
- listed	50,943,672	3,888,285	54,831,957
- unlisted	33,791,638	1,035,886	34,827,524
	84,735,310	4,924,171	89,659,481

20. INVESTMENTS IN SECURITIES - continued

THE COMPANY

2023	Designated at FVTPL HK$'000	Measured at FVTOCI HK$'000	Total HK$'000
Fixed interest investments			
Government			
- listed	3,050,868	654,032	3,704,900
- unlisted	225,100	915	226,015
Others			
- listed	33,933,713	2,695,939	36,629,652
- unlisted	17,933,836	482,996	18,416,832
Variable interest investments			
Government			
- listed	-	-	-
- unlisted	-	-	-
Others			
- listed	5,036,850	583,314	5,575,164
- unlisted	2,374,154	551,975	2,926,129
Unit trust and equities investments			
- listed	8,922,241	-	8,922,241
- unlisted	11,825,481	-	11,825,481
Limited partnership	1,222,086	-	1,222,086
Mortgage loan investments	190,500	-	190,500
	84,714,829	4,924,171	89,639,000
Total			
- listed	50,943,672	3,888,285	54,831,957
- unlisted	33,771,157	1,035,886	34,807,043
	84,714,829	4,924,171	89,639,000

20. INVESTMENTS IN SECURITIES - continued

THE GROUP

2022	Designated at FVTPL HK$'000	Available-for-sale investments HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Fixed interest investments					
Government					
- listed	2,575,830	811,996	-	-	3,387,826
- unlisted	140,961	-	-	367,902	508,863
Others					
- listed	31,452,004	3,282,951	353,416	-	35,088,371
- unlisted	5,433,852	858,431	13,727	11,904,873	18,210,883
Variable interest investments					
Government					
- listed	11,693	-	-	-	11,693
- unlisted	-	-	-	-	-
Others					
- listed	3,060,130	426,668	34,405	-	3,521,203
- unlisted	1,135,645	590,065	27,691	742,498	2,495,899
Unit trust and equities investments					
- listed	9,271,926	-	-	-	9,271,926
- unlisted	13,738,112	10,771	-	-	13,748,883
Limited partnership	555,884	510,717	-	-	1,066,601
Mortgage loan investments	254,738	-	-	-	254,738
	67,630,775	6,491,599	429,239	13,015,273	87,566,886
Total					
- listed	46,371,583	4,521,615	387,821	-	51,281,019
- unlisted	21,259,192	1,969,984	41,418	13,015,273	36,285,867
	67,630,775	6,491,599	429,239	13,015,273	87,566,886

THE COMPANY

2022	Designated at FVTPL HK$'000	Available-for-sale investments HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Fixed interest investments					
Government					
- listed	2,239,913	811,996	-	-	3,051,909
- unlisted	140,961	-	-	367,902	508,863
Others					
- listed	31,129,163	3,282,951	353,416	-	34,765,530
- unlisted	5,416,648	858,431	13,727	11,904,873	18,193,679
Variable interest investments					
Others					
- listed	3,052,373	426,668	34,405	-	3,513,446
- unlisted	1,135,645	590,065	27,691	742,498	2,495,899
Unit trust and equities investments					
- listed	9,271,926	-	-	-	9,271,926
- unlisted	13,738,112	-	-	-	13,738,112
Limited partnership	555,884	510,717	-	-	1,066,601
Mortgage loan investments	254,738	-	-	-	254,738
	66,935,363	6,480,828	429,239	13,015,273	86,860,703
Total					
- listed	45,693,375	4,521,615	387,821	-	50,602,811
- unlisted	21,241,988	1,959,213	41,418	13,015,273	36,257,892
	66,935,363	6,480,828	429,239	13,015,273	86,860,703

21. DERIVATIVE FINANCIAL INSTRUMENTS

THE GROUP

	2023 HK$'000	2022 HK$'000
Fair value of:		
Financial assets		
Forward foreign exchange contracts	8,233	6,188
Foreign exchange swap contracts	358,391	50,820
Interest rate swap contracts	67,244	53,735
Swaption contracts	106,037	158,863
Credit default swap contracts	1,968	1,999
Listed option	53,769	96,236
Bond forward	762	-
Equity futures	575	-
Foreign exchange spot contracts	46	-
	597,025	367,841
Financial liabilities		
Forward foreign exchange contracts	(33,572)	(34,114)
Foreign exchange swap contracts	(17,591)	(73,639)
Interest rate swap contracts	(2,202)	(34,614)
Credit default swap contracts	-	(190)
Bond forward	-	(6,783)
	(53,365)	(149,340)
Total	543,660	218,501

21. DERIVATIVE FINANCIAL INSTRUMENTS - continued

THE GROUP - continued

Notional amounts of derivatives:	2023 HK$'000	2022 HK$'000
Forward foreign exchange contracts with latest maturity date on March 11, 2024 (2022: April 21, 2023)		
Buy HK$	12,068,000	4,409,653
Buy US$	8,581,187	7,411,975
Buy GBP	68,086	64,713
Buy RMB	60,735	-
Buy EUR	-	20,163
Sell US$	6,952,296	3,451,101
Sell HK$	8,633,000	7,440,000
Sell EUR	569,394	752,916
Sell RMB	2,517,475	188,009
Sell NZD	-	4,913
Sell AUD	-	7,381
Sell ZAR	-	3,834
Sell JPY	-	47,745
Sell CAD	-	11,514
Sell NOK	-	1,583
Sell GBP	53,106	15,000
Sell INR	927,853	-
Sell KRW	627,850	-
Sell TWD	474,196	-
Credit default swap contracts with latest maturity date on December 20, 2027 (2022: December 20, 2023)	117,129	312,380
Interest rate swap contracts with latest maturity date on November 17, 2042 (2022: November 17, 2042)	3,256,186	2,163,231
Swaptions contracts with latest maturity date on September 28, 2039 (2022: September 28, 2039)	2,733,010	5,466,650
Bond forward contracts with latest maturity date on August 18, 2025 (2022: August 18, 2023)	5,000	39,047
Listed option with latest maturity date on December 30, 2026 (2022: December 30, 2026)	387,828	450,027
Foreign exchange swap contracts with latest maturity date on September 29, 2033 (2022: March 22, 2032)		
Buy HK$	15,261,500	15,261,500
Buy US$	184,604	-
Sell NZD	195,982	-
Sell US$	15,276,059	15,277,820
Equity futures with latest maturity date on January 31, 2024 (2022: Nil)	428,300	-

21. DERIVATIVE FINANCIAL INSTRUMENTS - continued

THE GROUP - continued

	2023 HK$'000	2022 HK$'000
Notional amounts of derivatives: - continued		
Foreign exchange spot contracts with latest maturity date on January 2, 2024 (2022: Nil)	86,614	-

The notional amounts of these instruments indicate the volume of transactions outstanding as at the reporting date; they do not represent amounts at risk. The net unrealised gain amounted to HK$543,661,000 at December 31, 2023 (December 31, 2022: HK$218,501,000 unrealised gain).

THE COMPANY

	2023 HK$'000	2022 HK$'000
Fair value of:		
Financial assets		
Forward foreign exchange contracts	8,233	6,188
Foreign exchange swap contracts	358,391	50,820
Interest rate swap contracts	67,244	53,735
Swaption contracts	106,037	158,863
Credit default swap contracts	1,968	1,999
Listed option	53,769	96,236
Bond forward	762	-
Equity futures	575	-
Foreign exchange spot contracts	46	-
	597,025	367,841
Financial liabilities		
Forward foreign exchange contracts	(33,572)	(31,665)
Foreign exchange swap contracts	(17,591)	(73,639)
Interest rate swap contracts	(2,202)	(34,614)
Credit default swap contracts	-	(190)
Bond forward	-	(6,783)
	(53,365)	(146,891)
Total	543,660	220,950

21. DERIVATIVE FINANCIAL INSTRUMENTS - continued

THE COMPANY - continued

	2023 HK$'000	2022 HK$'000
Notional amounts of derivatives:		
Forward foreign exchange contracts with latest maturity date on March 11, 2024 2023 (2022: April 21, 2023)		
Buy HK$	12,068,000	3,910,000
Buy US$	8,581,187	7,411,975
Buy GBP	68,086	64,713
Buy RMB	60,735	-
Buy EUR	-	20,163
Sell US$	6,952,296	3,264,164
Sell HK$	8,633,000	7,440,000
Sell EUR	569,394	557,886
Sell RMB	2,517,475	162,293
Sell GBP	53,106	-
Sell INR	927,853	-
Sell KRW	672,850	-
Sell TWD	474,196	-
Credit default swap contracts with latest maturity date on December 20, 2027 (2022: December 20, 2023)	117,129	312,380

	2022 HK$'000	2021 HK$'000
Notional amounts of derivatives:		
Interest rate swap contracts with latest maturity date on November 17, 2042 (2022: November 17, 2042)	3,256,186	2,163,231
Swaptions contracts with latest maturity date on September 28, 2039 (2022: September 28, 2039)	2,733,010	5,466,650
Bond forward contracts with latest maturity date on August 18, 2025 (2022: August 18, 2023)	5,000	39,047
Listed option with latest maturity date on December 30, 2026 (2022: December 30, 2026)	387,828	450,027
Foreign exchange swap contracts with latest maturity date on September 29, 2033 (2022: March 22, 2032)		
Buy HK$	15,261,500	15,261,500
Buy US$	184,604	-
Sell NZD	195,982	-
Sell US$	15,276,059	15,277,820
Equity futures with latest maturity date on January 31, 2024 (2022: Nil)	428,300	-

21. DERIVATIVE FINANCIAL INSTRUMENTS - continued

THE COMPANY - continued

	2023 HK$'000	2022 HK$'000
Notional amounts of derivatives: - continued		
Foreign exchange spot contracts with latest maturity date on January 2, 2024 (2022: Nil)	86,614	-

The notional amounts of these instruments indicate the volume of transactions outstanding as at the reporting date; they do not represent amounts at risk. The net unrealised gain amounted to HK$543,661,000 at December 31, 2023 (December 31, 2022: HK$220,950,000 unrealised gain).

At December 31, 2022, the collateral in the form of cash and securities received on derivative assets was HK$405,649,000 (December 31, 2022: HK$174,730,000) and pledged in respect of derivative liabilities was HK$309,764,000 in connection with the derivative transactions entered by the Group and the Company. (December 31, 2022: HK$78,952,000).

22. LOANS RECEIVABLE

THE GROUP AND THE COMPANY

	2023 HK$'000	2022 HK$'000
Other unsecured loans to agents	271,574	66,670
Due within one year	62,262	17,861
Due after one year	209,312	48,809
	271,574	66,670

The fair values of the loans receivable at the end of the reporting period, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at that date, approximate their carrying amount.

23. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transactions with related parties:

THE GROUP

	Administration and other service fee income		Management fee and other expenses		Interest expenses		Other revenue		Amounts due from		Amounts due to	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Immediate holding company	-	-	-	-	-	-	-	-	-	-	93,583	40,126
Fellow subsidiaries	110,150	193,409	58,494	72,997	24,730	10,339	531	560	63,423	43,682	41,626	17,755

	Subordinated loans from		Reinsurance contract held assets/ (liabilities)		Reinsurance contract held income/ (expense)	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Immediate holding company	-	-	16,105,322	17,737,255	974,546	11,519,630
Fellow subsidiaries	582,500	572,500	-	-	-	-

23. RELATED PARTY TRANSACTIONS - continued

THE COMPANY

	Administration and other service fee income		Management fee and other expenses		Interest expenses		Other revenue		Amounts due from		Amounts due to	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Immediate holding company	-	-	-	-	-	-	-	-	-	-	93,583	40,126
Fellow subsidiaries	110,150	193,409	58,494	72,997	23,697	10,026	531	560	63,177	43,682	38,319	13,673
Subsidiaries	-	-	7,033	8,270	-	-	-	-	37,443	3,382	-	450

	Subordinated loan from		Reinsurance contracts held assets/ (liabilities)		Reinsurance contract held income/ (expense)	
	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Immediate holding company	-	-	16,105,322	17,737,255	974,546	11,519,630
Fellow subsidiaries	560,000	560,000	-	-	-	-

At December 31, 2023, investment portfolios of the Group and the Company managed by a fellow subsidiary amounted to HK$ 52,933,440,000 (2022: HK$51,510,083,000).

23. RELATED PARTY TRANSACTIONS - continued

Amounts due from/to fellow subsidiaries and immediate holding company are unsecured, interest free and are repayable on demand.

Compensation of key management personnel

The remuneration of directors, who are also the Group's key management personnel, during the year are as follows:

	2023 HK$'000	2022 HK$'000
Short-term benefits	17,966	15,768
Post-employment benefits	1,004	991
Share-based payments	14,685	10,069
	33,655	26,828

24. BANK BALANCES AND CASH

	THE GROUP		THE COMPANY	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Cash at bank and in hand [1]	5,028,670	3,397,980	4,874,368	3,071,306
Fixed time deposits with original maturity within three months when acquired	835,876	432,016	375,447	293,249
Fixed time deposits with original maturity more than three months when acquired	-	153,943	-	3,943
Bank balances and cash	5,864,546	3,983,939	5,249,815	3,368,498

The fixed time deposits carry fixed interest rates of 0.75% to 5.75% (2022: 0.70% to 4.90%) per annum. The bank balances and fixed time deposits are deposited with creditworthy banks with no recent history of default. Most of the banks have an average S&P rating of A. The fair value of the fixed time deposits at the end of the reporting period approximates the corresponding carrying amounts.

(1) Cash at bank includes HK$1,101 million (2022: HK$1,234 million) in relation to cash received on collateral from securities lending (note 29).

25. SHARE CAPITAL

	Number of shares		Share capital	
	2023	2022	2023	2022
	'000	'000	HK$'000	HK$'000
Authorised:				
Ordinary shares of US$0.639 each at beginning and end of year	1,290,000	1,290,000	6,429,618	6,429,618
Ordinary shares of HK$1 each at beginning and end of year	200,000	200,000	200,000	200,000

	Number of shares		Share capital	
	2023	2022	2023	2022
	'000	'000	HK$'000	HK$'000
Issued and fully paid:				
Ordinary shares of US$0.639 each at beginning and end of year	710,509	710,509	3,525,525	3,525,525
Issued and partly paid:				
Ordinary shares of HK$1 each (partly paid to HK$0.01 each share) at beginning and end of year	200,000	200,000	2,000	2,000
			3,527,525	3,527,525

26. SUBORDINATED LOANS

THE GROUP AND THE COMPANY

The HK$310,000,000 subordinated loan due to a fellow subsidiary, with a maturity date of June 17, 2023, was renewed during the year. The subordinated loan is unsecured, bears interest at 4.5% per annum (2022: 3%) and is repayable on June 17, 2024. The Company can repay the whole or any part of the loan at any time with one month's notice and subject to regulatory approval.

Another HK$250,000,000 subordinated loan due to a fellow subsidiary, with a maturity date of September 29, 2023, was renewed during the year. The subordinated loan is unsecured, bears interest at 5.5% per annum (2022: 4.5%) and is repayable on September 29, 2024. The Company can repay the whole or any part of the loan at any time with one month's notice and subject to regulatory approval.

The HK$12,500,000 subordinated loan was granted by the same entity to a subsidiary, with a maturity date of December 30, 2023, was renewed during the year. The subordinated loan is unsecured, bears interest at 5.5% per annum (2022: 5.5%) and is repayable on December 30, 2024.

Another HK$10,000,000 subordinated loan was granted by the same entity to a subsidiary, with a maturity date of March 30, 2024, was granted during the year. The subordinated loan is unsecured, bears interest at 4.6% per annum.

The fair value of the subordinated loans approximate their carrying amounts because of the short expected life of the financial liability which makes the effect of discounting is immaterial. The interest expense on the loans during the year amounted to HK$25,000,000 (2022: HK$10,000,000).

27. ACCUMULATED SURPLUS ATTRIBUTABLE TO RING-FENCED POLICYHOLDERS

The amount represents the accumulated surplus in respect of the ring-fenced business acquired in 1999, attributable to the relevant policyholders. This excludes the Group's and the Company's entitlement to 10% of the amount of bonus declared to the relevant policyholders in excess of the amount of guaranteed bonus under the 90/10 rule.

28. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

THE GROUP AND THE COMPANY

	2023 HK$'000	2022 HK$'000
Deferred tax liabilities	106,726	4,574

28. DEFERRED TAXATION - continued

The following is an analysis of the major deferred tax liabilities recognised and movements thereon during the current and prior years:

THE GROUP AND THE COMPANY

	Unused tax loss HK$'000	Revaluation of investments HK$'000	Deferred origination costs of MPF HK$'000	Intangible from business acquisition HK$'000	Right-of-use assets HK$'000	Total HK$'000
At January 1, 2022	-	(15,789)	(142,629)	(74,115)	172	(232,361)
Charged to other comprehensive income for the year	-	156,594	-	-	-	156,594
Write-off (note 18)	-	-	-	1,980	-	1,980
(Charged) credited to profit or loss for the year (note 12)	70,280	-	(5,799)	4,732	-	69,213
At December 31, 2022	70,280	140,805	(148,428)	(67,403)	172	(4,574)
Credited to other comprehensive income for the year	-	(117,892)	-	-	-	(117,892)
(Charged) credited to profit or loss for the year (note 12)	(45,562)	53,784	2,726	4,792	-	15,740
At December 31, 2023	27,718	76,697	(145,702)	(62,611)	172	(106,726)

At the end of the reporting period, the Group has HK$50,330,000 estimated unused tax losses arising in Hong Kong (2022: HK$38,475,000) that are available for offset against future taxable profits.

29. FINANCIAL LIABILITIES FROM SECURITIES LENDING

The Company engages in securities lending to generate additional income. Certain securities from its portfolio are lent to other institutions through a lending agent for short periods. Collateral in relation to the securities lent is deposited by the borrower with the agent, and maintained by the lending agent until the underlying securities have been returned to the Company. Collateral primarily consists of cash and cash equivalents. The carrying values of the securities lent and the related cash collateral held are HK$ 1,101 million (2022: HK$1,234 million) and HK$1,101 million (2022: HK$1,234 million) respectively as at December 31, 2023.

30. LEASE LIABILITIES

THE GROUP AND THE COMPANY

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	130,889	133,588
Within a period of more than one year but not more than two years	60,385	116,612
Within a period of more than two years but not more than five years	17,263	58,463
Within a period of more than five years	-	-
	208,537	308,663
Less: Amount due for settlement within 12 months	(130,889)	(133,588)
Amount due for settlement after 12 months	77,648	175,075

The incremental borrowing rates applied to lease liabilities range from 0.31% to 5.4% (2022: 0.46% to 4.09%).

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The only liability arising from financing activities is the lease liability, and the related cash changes are presented in the statement of cash flows.

31. OTHER CREDITORS AND ACCRUED CHARGES

THE GROUP

	2023	2022 (restated)
	HK$'000	HK$'000
Investment transaction payable	1,553,124	594,017
Upfront access fee payables for bancassurance partnership	1,312,500	-
Other payables	32,446	22,506
Accruals	66,686	229,322
	2,964,756	845,845

The carrying value of the payables approximates to their fair value.

THE COMPANY

	2023	2022 (restated)
	HK$'000	HK$'000
Investment transaction payable	1,433,289	493,149
Upfront access fee payables for bancassurance partnership	1,312,500	-
Other payables	31,635	21,848
Accruals	65,875	228,664
	2,843,299	743,661

The carrying value of the payables approximates to their fair value.

32. FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS

Categories of financial instruments and insurance contracts

	THE GROUP		THE COMPANY	
	2023	2022 (restated)	2023	2022 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
At FVTPL	84,735,310	67,630,775	84,714,829	66,935,363
Derivative financial instruments	597,025	367,841	597,025	367,841
Available-for-sale investments	-	6,491,599	-	6,480,828
Held-to-maturity investments	-	429,239	-	429,239
Loans and receivables (including bank balances and cash)	-	17,357,797	-	16,678,937
At FVTOCI	4,924,171	-	4,924,171	-
At amortised cost	6,664,393	-	6,019,525	-
Financial liabilities				
At FVTPL	471,001	551,513	471,001	551,513
Derivative financial instruments	53,365	149,340	53,365	146,891
Financial liabilities from securities lending	1,101,391	1,234,278	1,101,391	1,234,278
At amortised cost	3,682,465	1,476,226	3,535,201	1,357,910
Insurance-related assets				
Insurance contract assets	267,497	1,605,730	267,497	1,605,730
Reinsurance contract held assets	1,198,511	1,494,923	1,198,511	1,494,923
Insurance-related liabilities				
Insurance contract liabilities	88,775,226	83,915,864	88,775,226	83,915,864
Reinsurance contract held liabilities	306,948	1,832,138	306,948	1,832,138

33. EQUITY COMEPNSATION BENEFITS

Sun Life Financial Inc. ("SLF Inc.") offers a Long-Term Incentive Program to certain executives of the Group and the Company, including directors and controllers. Details of the plans are as follows:

Sun Share Unit ("Sun Share") Plan

Under the Sun Shares plan, participants are granted units that are equivalent in value to one common share of SLF Inc. and have a grant price equal to the average of the closing price of a common share on the Toronto Stock Exchange ("TSX") on the five trading days immediately prior to the date of grant. Participants generally hold units for up to 36 months from the date of grant. The units earn dividend equivalents in the form of additional units at the same rate as the dividends on common shares. Units may vest or become payable if SLF Inc. meet specified threshold performance targets. The plan provides for performance factors to motivate participants to achieve a higher return for shareholders (performance factors are determined through a multiplier that can be as low as zero or as high as two times the number of units that vest). Payments to participants are based on the number of units vested multiplied by the average closing price of a common share on the TSX on the five trading days immediately prior to the vesting date.

33. EQUITY COMEPNSATION BENEFITS - continued

Executive Stock Option Plan

SLF Inc. grants stock options to certain employees under the Executive Stock Option Plan. These options are granted at the closing price of the common shares on the TSX on the grant date. The options granted under the stock option plans generally vest over a four-year period. All options have a maximum exercise period of 10 years.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price
Executive Stock Option Plan	February 27, 2008	Fully vested four years following the date of grant at a rate of 25% per year	From date of vest to 10 years after the grant date	CAD47.96
	February 25, 2009			CAD20.08
	February 24, 2010			CAD30.25
	March 2, 2011			CAD31.65
	February 28, 2012			CAD21.53
	February 26, 2013			CAD28.20
	February 25, 2014			CAD39.27
	February 24, 2015			CAD39.02
	February 23, 2016			CAD40.47
	February 28, 2017			CAD48.73
	February 27, 2018			CAD54.18
	February 26, 2019			CAD49.71
	February 25, 2020			CAD65.05
	December 4, 2020			CAD57.57
	February 23, 2021			CAD62.28
	May 17, 2021			CAD65.24
	June 7, 2021			CAD65.10
	November 15, 2021			CAD70.88
	February 22, 2022			CAD68.30
	March 14, 2022			CAD66.66
	February 21, 2023			CAD68.36

Movements of options are as follows:

	2023		2022	
	Number of shares	Weighted average exercise price CAD	Number of shares	Weighted average exercise price CAD
Outstanding at the beginning of the year	-	-	54,360	62.35
Granted during the year	-	-	-	-
Exercised during the year	-	-	(6,909)	62.12
Transfer out during the year	-	-	(47,451)	62.38
Outstanding at the end of the year	-	-	-	-

As these options are granted to the executives of the Group and the Company for services provided to several group companies. An allocation of the amount attributable to the Group and the Company have been charged through the intercompany recharges.

The charge recognised in the consolidated statement of profit or loss in respect of the value of the above plans amounted to HK$14,685,000 (2022: HK$10,069,000).

33. EQUITY COMEPNSATION BENEFITS - continued

Executive Stock Option Plan - continued

The weighted average fair values of the stock options, calculated using the Black-Scholes option pricing model, granted during the year ended December 31, 2022, was CAD9.64. The Black-Scholes option pricing model used the following assumptions to determine the fair value of options granted during the years ending December 31:

Weighted average assumptions	2022
Risk-free interest rate	1.8%
Expected volatility	23.7%
Expected dividend yield	4.0%
Expected life of the option (in years)	6.3
Exercise price (in CAD)	68.12

Expected volatility is based on historical volatility of the common shares, implied volatilities from traded options on the common shares, and other factors. The expected term of options granted is derived based on historical employee exercise behaviour and employee terminated experience. The risk-free rate for periods within the expected term of the option is based on the Canadian government bond yield curve in effect at the time of grant.

34. RECONCILIATION OF LIABLITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and Company's statement of cash flows as cash flows from financing activities.

	Subordinated loans HK$'000	Lease liabilities HK$'000
At January 1, 2022	322,500	386,313
Newly granted	250,000	-
New leases entered	-	85,299
Lease modified	-	(33,195)
Financing cash flows	(10,339)	(139,538)
Interest expenses (note 11)	10,339	9,784
At December 31, 2022	572,500	308,663
Newly granted	10,000	-
New leases entered	-	40,818
Financing cash flows	(24,730)	(151,845)
Interest expenses (note 11)	24,730	10,901
At December 31, 2023	582,500	208,537