KPMG

YF Life Insurance International Limited

Annual Report and Financial Statements
for the year ended 31 December 2024

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2024.

Principal place of business

YF Life Insurance International Limited ("the company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 27/F, YF Life Tower, 33 Lockhart Road, Wanchai, Hong Kong.

Principal activities

The principal activity of the company is the writing of long term assurance business. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements.

Business review

Overview of the business

During the year 2024, YF Life Insurance International Limited and its subsidiary companies (the "group") remained as authorised insurer licensed to carry on life and annuity, linked long term, permanent health, and retirement scheme management long term insurance businesses in Hong Kong. We also operate in Macao through a branch office and is licensed to sell life insurance products in Macao.

Our group is committed to meeting our clients' various needs by continuously enhancing our product offerings and maintaining a diversified product suite. Our four flagship products include: (i) the "Prosperous Infinity Saver", a flexible participating savings plan that we launched at the beginning of the year to allow our customers to accumulate wealth, including key features such as multiple policy currency exchange, flexible policy-split, bonus lock-in, premium holiday, and also the freedom to convert the cash value into lifetime annuity income; (ii) the "PrimeHealth" series which are critical illness products covering a wide range of illnesses; (iii) the "FLEXI-ULife Prime Saver", a flexible universal life insurance plan; and (iv) the "MY Flexi Lifetime Annuity", a plan providing guaranteed lifetime annuity income to act as a safety net during the customer's retirement.

As of 31 December 2024, the tied agency force consisted of approximately 2,979 (2023: 3,050) agents in Hong Kong and Macao. In addition to the tied agency force, we also utilise brokers and agency intermediaries as well as banks and other financial institutions to distribute insurance products. The group has approximately 545 (2023: 518) employees and about 537,000 (2023: 536,000) in-force individual policies.

Business review (continued)

Principal risks and uncertainties facing the company

1) Insurance risks

The company prices its products based on estimated benefit payments reflecting assumptions with respect to mortality, morbidity, longevity, persistency, interest rates and other factors. If actual policy experience emerges that is significantly and adversely different from assumptions used in product pricing, the effect could be material to the profitability of the company. For participating whole life products, the company's dividends to policyholders primarily reflect the difference between actual investment, mortality, expense and persistency experience and the experience embedded in the whole life premiums and guaranteed elements. The company also makes use of reinsurance to mitigate the impact of its underwriting risk.

The overall claims experience in 2024 was satisfactory and it was lower than the pricing assumption. Hence, the insurance risk is within manageable range.

2) Currency exchange risks

The company's currency exchange risk is mainly related to certain policies that are not written in United States (U.S.) dollars. However, most of the policies are denominated in U.S. dollars and Hong Kong dollars. As the company's investments are primarily made in U.S. dollars, coupled with the fact that the Hong Kong dollar is pegged to the U.S. dollar, management does not believe that the currency risk is material.

For investments made in non-U.S. dollars, the company mitigates currency risk through the use of cross-currency swaps and forward contracts. Cross-currency swaps are used to minimize currency risk for certain non-U.S. dollar assets and liabilities through a pre-specified exchange of interest and principal. Forward contracts are used to hedge movement in exchange rates.

In year 2024, majority of HKD liabilities were hedged by currency swaps and forward contracts.

3) Investment and interest rate risks

Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments and in the amounts due to policyholders. To the extent that fluctuations in interest rates cause the duration of assets and liabilities to differ, the company controls its exposure to this risk by, among other things, asset and liability matching techniques that account for the cash flow characteristics of the assets and liabilities.

To assess the ability of the company to withstand adverse change in interest rates, Sensitivity Analyses are performed regularly. According to the latest report (Own Risk and Solvency Assessment (ORSA) Report for the financial year ended 31 December 2023), all the sensitivity scenario tests related to investment and interest rate risks are satisfactory, showing that the company's investment and interest rate risks are under control.

Business review (continued)

Principal risks and uncertainties facing the company (continued)

4) Credit risks

Credit risk is the risk that issuers of investments owned by the company may default or that other parties may not be able to pay amounts due to the company. The company attempts to manage its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors as well as purchasing credit default swaps to transfer some of the risk if necessary.

To consider the resilience of the business to counterparty default events, the Dynamic Solvency Test were performed regularly. According to the latest reports (Dynamic Solvency Test for year 2023), all the scenario tests related to credit risks were passed, showing that the company is maintaining the credit risk exposure within acceptable levels.

5) Cyber risks

Cyber risk means any risk of financial loss, disruption or damage to the reputation of an organization from some sort of failure of its information technology systems.

For the year of 2024, the top cyber threats under concerns are:

a) Data Loss or Theft. Confidential or restricted information has been exposed to an unauthorized party, internally or externally.

b) Attrition/Denial of Service. An attempt to make online service unavailable by overwhelming them with traffic from multiple sources; attacks that compromise, degrade, or destroy systems, or networks, over time.

c) Supplier/Third Party Breach. When a third party that the company has a business relationship experiences a breach where the company's confidential or restricted information has been compromised.

d) Improper Usage. Any unauthorized activity resulting in violation of the company's Technology Acceptable Use Policy by an authorized user.

e) Insider Threat. An insider threat can occur from people who have some level of access to the company's networks, computer system(s) or data, including: employees, former employees, contractors, business associates, or anyone who intentionally misuses that access to negatively affect the confidentiality, integrity, and availability of the company's information or information systems.

f) Malware/Ransomware. Software that is intended to damage or disable computers and computer systems.

The cyber risk was monitored with periodic monitoring reports and the monthly Operational KRI Report. The reports in year 2024 showed that the number of incidents was stable and manageable. There was no cyber issues to be alerted.

Business review (continued)

Principal risks and uncertainties facing the company (continued)

5) Cyber risks (continued)

   GL20 (Guideline on Cybersecurity) update

   Hong Kong Insurance Authority has started consultation of GL20 (revised) implementation in Q4 2024. The company has been preparing the revised guideline enforcement back in 2H 2024, and improvement on cybersecurity governance & controls will be implemented following the publishment of final GL20 (revised) in January 2025.

6) Other operational risks

   Operational risk is the risk of loss (or unintended gain/profit) arising from inadequate or failed internal processes, or from personnel and systems, or from external events.

   The operational risks were monitored with monthly Operational KRI Report. The reports in year 2024 showed that the number of incidents was stable and manageable. There was no operational issue to be alerted.

Future development in the company's business

In year 2025 and beyond, our group will continue to develop its tied agency, brokerage and bancassurance distribution channels to increase penetration in the market, to broaden its access to potential customers and to meet the evolving preferences of existing customers. We will continue to grow our tied agency force while expanding our brokerage and bancassurance distribution channels by exploring new partnerships. As regards to product, we are committed to developing innovative products and delivering our "product + service" proposition by enhancing our one-stop value-added service platform to provide customers with comprehensive solutions. Technology empowerment is also a core concept of our group, and we will continue to improve information technology capability and leverage the usage of digital platforms to match the preferences of customers and improve operational efficiency.

Business review (continued)

Key financial performance indicators

The key financial data of the group is presented under Hong Kong Financial Reporting Standards ("HKFRS") on a full year basis except for those where other basis and consideration are stated:

	2024 HK$ million	*2023* HK$ million	*Change %*
Insurance revenue (note a)	2,801	2,627	7
Insurance service expenses (note b)	(2,108)	(2,054)	3
Net expenses from reinsurance contracts	(59)	(26)	1 time
Insurance service result (note c)	634	547	16
Investment return	3,706	3,133	18
Net finance expenses from insurance contracts (note d)	(3,098)	(2,294)	35
Net finance income from reinsurance contracts (note d)	247	85	2 times
Movement in investment contract liabilities	(203)	(208)	(2)
Net financial result	652	716	(9)
Revenue from investment management services and other income	101	89	13
Other operating expenses (note e)	(289)	(274)	5
Profit before taxation	1,098	1,078	2
Taxation	(126)	(105)	20
Profit after taxation	972	973	-

Note a: The amount reflects the consideration which the insurer expects to be entitled for the service provided on an earned basis.

Note b: The amount reflects service expenses arising from insurance contracts issued by the group including incurred claims and other expenses.

Note c: The balance represents the net result of insurance revenue, insurance service expenses and net of expense/income from reinsurance contract, which comprised of contractual service margin ("CSM") release and fulfilment cash flow variance as explained in more details under insurance contract liabilities and reinsurance contract assets section.

Note d: The amount reflects change in carrying amount of insurance and reinsurance contracts arising from effect of change in discount rates and financial risks.

Note e: The amount mainly represents operating expenses for supporting MPF business, back office supporting function, investment contract operation etc.

Business review (continued)

Net operating income

For management decision making and internal performance management purpose, the group refers to the net operating income ("NOI") representing profit generate from core business activities for the year increase by 13% to HK$1,167 million.

	2024 HK$ million	*2023* HK$ million	*Change %*
Insurance service result (Note 1)	580	471	23
Investment result (Note 2)	886	839	6
Others (Note 3)	(299)	(274)	9
Net operating income	1,167	1,036	13
Adjust for the following income and expenses impact:			
- Short-term fluctuations in investment returns, exchange fluctuation and discount rate (Note 4)	(278)	(128)	1 time
- Other transactions (Note 5)	83	65	28
Profit for the year	972	973	-

Note 1: The balance represents the difference between insurance revenue and insurance service expenses for provision of services net of the reinsurance contract results excluding exchange adjustment. The key driver for insurance service result is the net CSM release.

	2024 HK$ million	*2023* HK$ million	*Change %*
Net CSM release	646	622	4
Impact of variances and risk adjustment net of reinsurance result	(66)	(151)	(56)
Insurance service result	580	471	23

Business review (continued)

Net operating income (continued)

Note 2: The balance represents net financial result of investment return, net finance income/(expenses) from insurance and reinsurance contracts and movement of investment contract liability excluding exchange adjustment. The increase of balance is mainly contributed by a larger pool of investment assets.

	2024 HK$ million	*2023* HK$ million	*Change %*
Interest Income and others	2,985	2,759	8
Investment return for equities	247	255	(3)
Insurance finance expenses and others	(2,346)	(2,175)	8
Investment result	886	839	6

The investment income excludes income arising from investment-linked insurance products and direct participating contracts.

Note 3: The balance represents net result of revenue from investment management services and other income and other operating expenses. The increase in balance is mainly contributed by increase in tax.

Note 4: The balance comprise of below items which are considered not relevant to our core business and the related decision making and internal management purpose.

Short term fluctuation represents difference between current year return and long term supportable expected return of all equities and funds excluding mutual funds investment, impairment, unrealised gain or loss, profit or loss from disposal of investment, exchange fluctuation on both asset and liability and discount rate impact on liability which is affected by short term economic environment without long term economic impact on the core business.

Note 5: Other transactions represent the impact which management considers not related to core business activities and therefore excluded from NOI for better understanding. (e.g. non-recurring other income, maintenance cost of HKFRS 17 etc.)

Business review (continued)

Net operating income (continued)

Assets and liabilities

The following table sets out the key financial information with respect to the assets and liabilities.

	As at 31 December 2024 HK$ million	*As at 31 December 2023* HK$ million
Investments (excluding unit-linked investments)	72,031	67,624
Unit-linked investments	5,663	5,748
Cash and deposits	4,895	4,311
Reinsurance contract assets	6,791	6,518
Other assets	2,684	2,192
Total assets	92,064	86,393
Insurance contract liabilities	69,618	63,577
Investment contract liabilities	5,096	5,122
Other liabilities	1,512	1,350
Total liabilities	76,226	70,049
Net assets	15,838	16,344
Net CSM	8,219	7,224
Comprehensive Equity	24,057	23,568

Business review (continued)

Assets and liabilities (continued)

As at 31 December 2024, the asset allocation of debt securities, loans and receivables, equity securities are approximately 85%, 6% and 9% of the investments (excluding unit-linked investments) respectively. As at 31 December 2024, 98.1% (2023: 97.9%) of the debt securities are investment grade rated (i.e. BBB- or above) by reputable credit rating agencies. As at 31 December 2024, 82.6% (2023: 88.5%) of the loans and receivables are investment grade rated (i.e. BBB- or above) as assessed by internal rating analysis with the support from external investment manager using similar credit rating methodology from reputable credit rating agencies.

Investment assets

The table below sets forth the asset allocation of the investment portfolio of which the company uses to monitor the performance of the investment portfolio. The debt securities and loans and receivables were reported at cost less accumulated amortisation and accumulated impairment before expected credit loss while equity securities and unit trusts were reported at fair value.

	As at 31 December 2024 HK$ million	*As at 31 December 2023* HK$ million
General investment and surplus assets		
Debt securities	62,834	61,172
Loans and receivables	4,317	5,035
Equity securities	2,590	2,436
Cash for investment	1,948	475
	71,689	69,118
Direct participating business		
Debt securities	4,413	1,317
Equity securities	3,366	2,060
Cash for investment	859	1,840
	8,638	5,217
Unit-linked investments		
Equity securities	5,663	5,748
	85,990	80,083

Business review (continued)

Insurance contract liabilities and reinsurance contract assets

The liability (or asset) recognised for a group of insurance and reinsurance contracts is measured as the sum of the fulfilment cash flow, cash flows arise as the group fulfils the contracts and contractual service margin presenting the unearned profit that the group will recognise as it provides insurance coverage in the future. The table below sets forth the related information.

	As at 31 December 2024 HK$ million	%	*As at 31 December 2023* HK$ million	%
Fulfilment cash flow	54,608	87	49,835	87
Net CSM	8,219	13	7,224	13
Net balance	62,827	100	57,059	100
Comprised of:				
Insurance contract liabilities	69,618		63,577	
Reinsurance contract assets	(6,791)		(6,518)	
	62,827		57,059	

Business review (continued)

Insurance contract liabilities and reinsurance contract assets (continued)

The table below sets forth the net CSM roll forward which provides information on the economic impact of changes during the year to understand the performance of our business in terms of future profitability and contribution to current year financial performance to align with NOI performance management purpose.

	Note	*2024* HK$ million	*2023* HK$ million
CSM Value as at 1 January		7,224	7,304
New business CSM	a	732	1,031
Expected return on in-force	b	183	164
Economic variances	c	48	23
Experience variances	d	727	(679)
Exchange rate impact and others		(49)	3
CSM release	e	(646)	(622)
CSM Value as at 31 December		8,219	7,224

Note

a) It represents the effect of new contracts brought to CSM for the year.

b) It represents the effect of interest accreted on CSM which is measured at the discount rate at initial recognition for insurance contract portfolio applying general measurement model.

c) It represents the impact of economic variance and assumption change. Economic variance and assumption change mainly related to financial related adjustment including underlying market price change.

d) It represents the effect of experience adjustments and assumption update from 1) arising from premiums received in the period, including any related cash flows such as insurance acquisition cash flows that relate to future service, 2) changes in estimates of the present value of future cash flow of liabilities of remaining coverage, 3) difference between any investment component expected to become payable and the actual amount becomes payable in the period, 4) change of risk adjustment for non-financial risk that related to the future service.

e) The release of net CSM is based on coverage units, a function of quantity of benefit provided and expected coverage period, provided for the period of the group of contracts. The CSM release rate throughout 2024 remains stable compared with 2023.

Business review (continued)

Comprehensive Equity Movement

The table below sets forth the movement in comprehensive equity which is the total of net assets and net CSM. Comprehensive equity represents the aggregate value of historical profit and future profitability from in-force business net of cumulative returns to shareholders.

	2024 HK$ million	*2023* HK$ million
Balance as at 1 January	23,568	23,096
Net profit for the year	972	973
Foreign exchange reserve and tax	(16)	70
Net fair value reserve and other movement (Note 1)	(467)	(571)
Balance as at 31 December	24,057	23,568

Note 1: Net fair value reserve included the net insurance finance reserve recognised in other comprehensive income. Net CSM movement is included in other movement.

Financial Strength and Solvency Margin

During the year ended 31 December 2024, the group has strictly adhered to the regulatory minimum capital requirement as determined at the relevant time in accordance with the Insurance Ordinance ("IO") and maintain sufficient available capital for operation purpose.

The Hong Kong Risk-based Capital (HKRBC) regime was effective on 1 July 2024 under the IO. The HKRBC solvency ratio of the group as at 31 December 2024 is assessed and calculated to be over 240% (unaudited), representing a 37% increase compared to 203% (unaudited) as at 31 December 2023, which is higher than the regulatory minimum solvency ratio requirement of 100%. Our group will continue to strictly adhered to the HKRBC regime and maintain sufficient available capital for operation purpose.

Business review (continued)

Environmental policies and performance

Use of resources

The group strives to minimise resource consumption and adopts environmental best practices across its businesses. We regularly review our environmental practices and consider implementing additional eco-friendly measures, sustainability targets and practices to reinforce the principles of reduce, recycle and reuse, as well as further minimise our already low impact on the environment.

In our offices, we have adopted various green practices to reduce the consumption of resources including electricity, water and paper. Examples of such green practices are:

- Switching off lightings, air conditioning and electrical appliances when not in use to reduce energy consumption;

- Encouraging double-sided printing and the use of recycled paper for printing and copying; and

- Setting up recycling bins in office areas.

We have also been progressively digitalising our business operations. Following YF Life 3-Years Digitalization Plan (2023-2025), we plan to digitalize our sales and customer services journey via FinTech initiatives, by use of mobile APPs, chatbot, AI & data technologies, delivering excellent experience to our sales intermediates, business partners and customers, while from straight-through process automation to improve operations efficiency.

According to the work plan, key initiatives have been started in 2023 and would continue implementation in 2025 to achieve the preset project goals.

Among our equipment use within the office environment, the server units and data centres consume the most energy. Our servers have been hosted (outsourced) in premises managed by Data Center or Cloud service providers where they are proven to manage servers/equipment up to global sustainability standards to reduce CO2 emissions.

Emissions

With the group's major businesses focused on the development of insurance, majority of our operations are conducted in office environments with limited environmental impact. While we advocate the principle of environmental protection, we do not consider emissions including air, greenhouse gas (or carbon) and waste emissions to be material due to the nature of our business operations. We are however, aware of our impact on carbon emissions is mainly caused by the use of electricity, we strive to minimise the consumption from our offices to the servers and data centres.

The group does not have direct environmental emissions such as air, discharges to water and land as well as generation of hazardous and non-hazardous waste, and we adhere to all relevant and applicable environmental laws and regulations in the jurisdictions where we operate. No material non-compliance regarding emissions was reported during the reporting year.

Business review (continued)

Environmental policies and performance (continued)

The environmental and natural resources

As a financial institution, the impact of our business extend beyond our own operations to the impact our investment strategies have on the environment. While we have not formulated specific policies or guidelines on the ESG considerations of our investment strategies, ESG considerations are indirectly addressed as described below.

For our group, while we do not have specific ESG guidelines or instructions to our investment managers, majority of our portfolio belongs to fixed-income assets and we have appointed Barings to be the investment manager, who is a signatory of the Principle of Responsible Investment.

Compliance with the relevant laws and regulations

The company has a Legal and Compliance Department which is responsible for performing contract-review functions and regulatory compliance functions of the company.

Contract-review functions

1) Develop contractual templates, where necessary and review mechanism to ensure these contractual templates are capable to accommodate changing circumstances and cater for market, legal and regulatory developments.

2) Perform legal review and conduct negotiations of contractual materials (e.g. tenancy agreements) to ensure their legal compliance and protect the interests of its existing and potential policyholders and shareholders.

Regulatory compliance functions

1) Develop compliance system and programs to monitor and ensure compliance with all the relevant laws, regulations, rules, guidance notes, guidelines, codes issued by the relevant regulators and standards & codes issued by the industry bodies.

2) Assist the accountable departments in developing relevant implementation measures to ensure compliance with all the relevant laws and regulatory requirements.

3) Review and report potential suspicious transactions identified by the first line/business departments, particularly preventing any money laundering or counter-terrorist financing activities.

4) Formulate and monitor the group's outsourcing policy and procedures for protecting the interests of its existing and potential policyholders.

5) Review new rules and regulations and assist accountable departments to make sure such new rules and regulations are implemented duly.

6) Assist in providing legal and compliance input in the trainings of management/staff/ agents for the compliance with the relevant regulatory requirements.

Business review (continued)

Compliance with the relevant laws and regulations (continued)

To achieve the above key functions, the company has set up the following key programmes to implement the relevant policies and procedures to ensure compliance.

1) AML programme

   To ensure compliance with legislative requirements on anti-money laundering and counter-terrorist financing.

2) Privacy management programme

   To ensure compliance with legislative and regulatory requirements on personal data protection.

3) FATCA programme

   To ensure compliance with requirements on Foreign Account Tax Compliance Act.

4) CRS programme

   To ensure compliance with requirements on Common Reporting Standard.

The company adheres to the requirements of the Hong Kong Companies Ordinance and the Insurance Ordinance. The company was not prosecuted or punished for any non-compliance against the relevant laws and regulations relating to the company, for the financial year ended 31 December 2024.

Relationships with its employees, customers and other stakeholders

Employee Health and safety

The management places high importance on the health of employees and takes measures to increase the awareness of all staff members regarding occupational health and safety issues within the group. For instance, in the group office, assessment and training of Display Screen Equipment (DSE) was done with aim to help office staff to minimise health risks associated with prolonged work with their workstations.

While there is no significant health and safety risk in the office environment, employees are also expected to take all practical measures to ensure a safe and healthy working environment, in keeping with their defined responsibilities and applicable laws. Employees are encouraged to participate in fire drills initiated by the office building management to prepare for any possible emergency.

We seek to promote the well-being of employees by providing medical insurance coverage to our employees, covering services like clinical visits, specialist visits and health check-ups. In addition, we promote work-life balance among our staff through different programmes, for example work-from-home arrangements promoting flexibility of work, establishment of a relaxing area provided with massage chair, organising our employees to participate in charity runs to develop a healthy lifestyle while contributing to the community.

Business review (continued)

Relationships with its employees, customers and other stakeholders (continued)

We offer Employee Assistance Program, supported by a consulting firm, to provide confidential counseling and support services to address personal and work-related challenge, including a 24/7/365 hotline, professional personal counselling and consultation, individual work/life coaching or online resources.

During the reporting year, we adhered to relevant laws and regulations and were not aware of any incidence of material non-compliance relating to health and safety.

Employee development and training

The group emphasises the importance of the on-going professional development of our employees and seeks to provide different training and development opportunities to assist their career progression. Through a relevant, systematic and organised training platform, we aim to align the knowledge and skill sets of our staff members with our business objectives and operation requirements, in order to enhance efficiency and productivity. We believe that upskilling our staff members can help reduce the overall compliance risks in the long run.

At the group, we offer both internal and external training to staff. To promote and cultivate the ongoing professional development of our staff, we arrange trainings on regulatory matters, such as anti-money laundering, personal data protection, etc. In the year, we have provided trainings covering topics like cybersecurity and anti-money laundering for our staff. We also support our employees to seek external education relevant to their job duties and provide benefits including examination leave and fee reimbursement.

While at the group, the staff training is broadly categorised into three main types for new, existing and management staff where each has key focus as follows:

- New staff: legal compliance, company product knowledge, service selling techniques and mentor training in person

- Existing staff: legal compliance and continuous professional development training (CPD)

- Management: leadership training

With the demand for insurance product from Mainland clients is increasing, we have established an internal guide for PRC business outlining the requirements for agents working on PRC customers e.g. physically visiting Hong Kong. All our agents are also required to complete the ongoing (e-refresher) training on regulatory matters, such as anti-money laundering.

Business review (continued)

Relationships with its employees, customers and other stakeholders (continued)

Customer privacy

As a financial institution, we deal with sensitive information of our clients and it is important that we take the necessary steps to protect such information. We adhere strictly to the Personal Data (Privacy) Ordinance and any violation of data privacy obligations is subject to disciplinary actions. There are also internal compliance manuals to guide us on the proper handling of customer information.

Customer feedback

We welcome customer feedback and collect their opinions through different channels, including our staff, website and customer service hotline. We also regularly seek inputs from our front-line business units to look for areas that require improvement. We promptly handle all complaints from our customers, and for the group, we are also obliged to meet the response pledge as prescribed by regulatory requirements.

Supply chain and counterparties management

The group appoints various service providers to support our operations, particularly on IT services. When selecting these service providers, we consider different factors including price, capability and credential of suppliers, availability of local support and the possible synergy from leveraging on other services of suppliers.

Recommended dividend

The directors recommended the distribution of a final dividend amounted to HK$300,000,000 (2023: nil) in respect of the year ended 31 December 2024 upon obtaining approval from regulators. The dividend distribution amount is to be made to each member of the Company based on their respective shareholding percentage in the ordinary shares issued by the Company. At the date of this report, the Company is in progress of obtaining regulators' approvals.

Charitable donations

Charitable donations made by the group during the year amounted to HK$Nil (2023: HK$Nil).

Fixed assets

Details of the movements in fixed assets during the year are set out in note 13 to the financial statements.

Share capital

Details of the movements in share capital of the company are set out in note 26 to the financial statements.

Directors

The directors during the financial year and up to the date of this report are:

Xin HUANG	
Feng YU	
Man Ko CHAN	
Yu Lam Kenneth NG	(resigned on 28 March 2025)
Shu-Yen LIU	
Daqing QI	
Jinghui XU	
Shihao ZHUO	(appointed on 28 March 2025)

There being no provision in the company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

At no time during the year was the company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

The names of directors who have served on the boards of the subsidiaries of the company during the year and up to the date of this report included:

Man Ko CHAN	
Chi Hung TSE	
Gah Jih WONG	
Tin Yau Elvin YU	
Ka Lin Victor YIP	(resigned on 1 July 2024)
Chi Ho TIU	(appointed on 26 September 2024)
Yimin QIAO	(appointed on 18 March 2025)

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance to which the company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Huang Xin

Director

Hong Kong,

28 MAR 2025

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Independent auditor's report to the members of YF Life Insurance International Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of YF Life Insurance International Limited ("the company") and its subsidiaries ("the group") set out on pages 23 to 139, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2024 and of the group's consolidated financial performance and 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 Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

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Independent auditor's report to the members of YF Life Insurance International Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors 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 Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

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

Independent auditor's report to the members of YF Life Insurance International Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2025

Consolidated statement of profit or loss for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* $	*2023* $
Insurance revenue	5	2,800,753,896	2,626,741,606
Insurance service expenses	9	(2,108,240,998)	(2,054,007,656)
Net expenses from reinsurance contracts	21(a)	(59,368,539)	(26,256,851)
Insurance service result		633,144,359	546,477,099
Interest revenue calculated using the effective interest method	6(b)	2,998,877,032	2,682,574,527
Other investment revenue	6(c)	827,701,502	617,991,198
Net impairment loss on financial assets	6(d)	(120,180,389)	(168,169,759)
Investment return		3,706,398,145	3,132,395,966
Net finance expenses from insurance contracts	6(a)	(3,097,871,554)	(2,293,667,116)
Net finance income from reinsurance contracts	6(a)	247,436,200	85,044,519
Movement in investment contract liabilities	6	(203,145,285)	(207,907,143)
Net financial result		652,817,506	715,866,226
Revenue from investment management services	7	21,043,912	26,208,920
Other income	8	79,675,638	62,868,904
Other operating expenses	9	(283,019,416)	(267,019,877)
Other finance costs	9	(5,697,503)	(6,405,564)
Profit before tax		1,097,964,496	1,077,995,708
Income tax expense	10	(126,435,599)	(105,371,417)
Profit for the year		971,528,897	972,624,291
Profit for the year attributable to equity shareholders of the company		971,528,897	972,624,291

The notes on pages 30 to 139 form part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	2024 $	2023 $
Profit for the year after taxation		971,528,897	972,624,291
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Equity investment at fair value through other comprehensive income - net movement in fair value reserve (non-recycling)		-	11,156,832
Related income tax	10(b)	-	(91,243)
		-	11,065,589
Items that are or may be reclassified subsequently to profit or loss			
Net movement in the fair value reserve during the year recognised in other comprehensive income	12	(1,236,050,920)	1,313,420,944
Cash flow hedge: net movement in the hedging reserve		(357,727,924)	35,430,847
Exchange differences arising on translation of results of foreign operations		(72,865,661)	(43,838,369)
Net finance expenses from insurance contracts	6(a)	(48,740,944)	(2,042,938,747)
Net finance income from reinsurance contracts	6(a)	180,381,305	111,234,849
Net deferred tax impact recognised in other comprehensive income	10(b)	57,537,332	113,974,087
		(1,477,466,812)	(512,716,389)
Total comprehensive income for the year		(505,937,915)	470,973,491
Total comprehensive income for the year attributable to:			
Equity shareholders of the company		(505,937,915)	470,973,491

The notes on pages 30 to 139 form part of these consolidated financial statements.

Consolidated statement of financial position at 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*At 31 December 2024* $	*At 31 December 2023* $
Assets			
Fixed assets	13	604,721,583	631,458,298
Statutory deposits	14	1,573,497	1,557,791
Deferred tax assets	25(b)	98,767,135	73,934,786
Intangible asset	16	14,929,942	15,024,135
Other contract asset	17	456,663,099	455,953,163
Investments	18	77,693,511,365	73,372,475,269
Reinsurance contract assets	21	6,790,716,168	6,517,665,664
Other receivables, deposits, and prepayment	19	1,509,342,710	1,014,933,237
Fixed bank deposits with original maturity over 3 months	20	993,798,122	1,109,611,001
Cash and cash equivalents	20	3,899,941,867	3,200,075,740
Total assets		92,063,965,488	86,392,689,084
Liabilities			
Other liabilities	24	635,524,262	606,532,335
Financial liabilities at fair value through profit or loss	18	425,782,027	240,989,212
Tax payable	25(a)	33,071,287	67,544,835
Insurance contract liabilities	21	69,617,927,842	63,577,444,429
Investment contract liabilities	22	5,096,468,744	5,122,148,924
Lease liabilities	23	165,225,350	205,301,291
Deferred tax liabilities	25(b)	252,066,546	228,890,713
Total liabilities		76,226,066,058	70,048,851,739
Net assets		15,837,899,430	16,343,837,345

Consolidated statement of financial position at 31 December 2024 (continued)

(Expressed in Hong Kong dollars)

	Note	*At 31 December 2024* $	*At 31 December 2023* $
Equity			
Share capital	26(a)	4,540,000,000	4,540,000,000
Retained earnings		11,936,954,553	10,965,425,656
Reserves		(639,055,123)	838,411,689
Total equity		15,837,899,430	16,343,837,345

Approved and authorised for issue by the board of directors on 28 March 2025.

Huang Xin
Director

Man Ko Chan
Director

The notes on pages 30 to 139 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Share capital $	*Fair value reserve (recycling)* $	*Fair value reserve (non-recycling)* $	*Hedging reserve* $	*Exchange reserve* $	*Insurance finance reserve* $	*Reinsurance finance reserve* $	*Retained earnings* $	*Total* $
Balance at 1 January 2023	4,540,000,000	(4,650,382,448)	(31,853,078)	-	69,755,365	5,840,403,602	91,351,559	10,013,588,854	15,872,863,854
Changes in equity for the year ended 31 December 2023:									
Profit for the year	-	-	-	-	-	-	-	972,624,291	972,624,291
Other comprehensive income for the year	-	1,411,050,074	11,065,589	35,430,847	(41,681,891)	(2,017,667,265)	100,151,846	-	(501,650,800)
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	20,787,489	-	-	-	-	(20,787,489)	-
Balance at 31 December 2023 and 1 January 2024	4,540,000,000	(3,239,332,374)	-	35,430,847	28,073,474	3,822,736,337	191,503,405	10,965,425,656	16,343,837,345
Changes in equity for the year ended 31 December 2024:									
Profit for the year	-	-	-	-	-	-	-	971,528,897	971,528,897
Other comprehensive income for the year	-	(1,184,578,551)	-	(357,727,924)	(82,164,029)	(19,488,884)	166,492,576	-	(1,477,466,812)
Balance at 31 December 2024	4,540,000,000	(4,423,910,925)	-	(322,297,077)	(54,090,555)	3,803,247,453	357,995,981	11,936,954,553	15,837,899,430

The notes on pages 30 to 139 form part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2024

(Expressed in Hong Kong dollars)

	Note	*2024* $	*2023* $
Cash flows from operating activities			
Profit before taxation		1,097,964,496	1,077,995,708
Adjustments for:			
- Financial investments		(6,499,277,386)	(6,369,542,646)
- Insurance and reinsurance contracts		6,317,129,623	6,431,301,833
- Investment contracts		(18,258,737)	(24,513,051)
- Statutory deposits		(15,706)	(2,333)
- Other contract asset		(3,597,301)	(4,056,329)
- Other receivable and payable		(482,449,557)	(338,369,957)
- Depreciation	13	191,181,134	178,050,640
- Loss on disposal of fixed assets		-	2,762,567
- Finance costs	20(a)	5,697,503	6,405,564
- Interest credited to policyholders' account balances	20(a)	182,838,560	179,053,610
- Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(118,330,597)	(93,698,204)
Operating cash items:			
- Interest received from bank deposits		129,766,422	86,761,856
- Dividends received		295,757,521	252,223,755
- Tax paid		(105,028,331)	(46,023,616)
Net cash from operating activities		993,377,644	1,338,349,397

Consolidated statement of cash flows for the year ended 31 December 2024 (continued)

(Expressed in Hong Kong dollars)

	Note	*2024* $	*2023* $
Cash flows from investing activities			
Payment for purchase of fixed assets		(89,997,407)	(48,370,649)
Fixed bank deposits with original maturity over 3 months		114,469,677	36,416,986
Acquisition of intangible assets	16	-	(15,000,000)
Net cash from/(used in) investing activities		24,472,270	(26,953,663)
Cash flows from financing activities			
Policyholders' account deposits related to investment contracts	20(a)	172,152,511	183,421,230
Policyholders' account withdrawals related to investment contracts	20(a)	(347,622,136)	(403,907,545)
Interest element of lease rentals paid	20(a)	(5,697,503)	(6,405,564)
Capital element of lease rentals paid	20(a)	(118,374,935)	(120,251,431)
Net cash used in financing activities		(299,542,063)	(347,143,310)
Net increase in cash and cash equivalents		718,307,851	964,252,424
Cash and cash equivalents at 1 January	20	3,200,075,740	2,233,759,674
Effect of foreign exchange rates changes		(18,441,724)	2,063,642
Cash and cash equivalents at 31 December	20	3,899,941,867	3,200,075,740

The notes on pages 30 to 139 form part of these consolidated financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the group are disclosed below.

The HKICPA has issued certain new and amended standards to HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the company and its subsidiaries (together referred to as "the group").

The group's functional currency is United States dollar. The presentation currency of these financial statements is Hong Kong dollar, the official currency of the jurisdiction in which the group primarily operates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in certain debt and equity securities and derivative financial instruments are stated at their fair value, and insurance and reinsurance contracts are measured at fulfilment cash flows, and if any, the contractual service margin ("CSM"), as explained in the accounting policies set out below or note 21(e).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment are discussed in note 4.

1 Material accounting policies (continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows, any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(o)(ii)).

(d) Insurance, reinsurance and investment contracts - Classification

Contracts under which the group accepts significant insurance risk are classified as insurance contracts. Contracts held by the group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the group to financial risk.

The group does not accept insurance risk from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the group, unless otherwise stated.

Some contracts entered into by the group 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' (see note 1(f)).

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

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

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts

(i) Separating components from insurance and reinsurance contracts

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

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

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

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

(ii) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

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

- any contracts that are onerous on initial recognition;

- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

- any remaining contracts in the semi-annual cohort.

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

- the beginning of its coverage period (i.e. the period during which the group 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.

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(ii) Aggregation and recognition of insurance and reinsurance contracts (continued)

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.

Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract.

A group of reinsurance contracts is recognised on the following date.

- *Reinsurance contracts initiated by the group that provide proportionate coverage*: The date on which any underlying insurance contract is initially recognised. This applies to the group's quota share reinsurance contracts.

- *Other reinsurance contracts initiated by the group*: The beginning of the coverage period of the group of reinsurance contracts. However, if the group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date (see 'Reinsurance of onerous underlying insurance contracts' under (v)).

- *Reinsurance contracts acquired*: The date of acquisition.

(iii) Insurance acquisition cash flows

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

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. The allocation to renewals only applies to certain term assurance and critical illness contracts that are renewable and coverage period for each term is more than one year. The group expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the group expects to recover those cash flows.

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(iii) Insurance acquisition cash flows (continued)

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

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

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

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

Recoverability assessment

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

a. recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

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

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(iv) 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:

Insurance contracts

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

A substantive obligation to provide services ends when:

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

The reassessment of risks considers only risks transferred from policyholders to the group, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the group 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 group's substantive rights and obligations and, therefore, may change over time.

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(v) Measurement - Contracts not measured under the premium allocation approach ("PAA")

Insurance contracts - Initial measurement

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

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

The CSM of a group of insurance contracts represents the unearned profit that the group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under note 1(e)(iii)) 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 outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Insurance contracts - Subsequent measurement

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

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(v) Measurement - Contracts not measured under the premium allocation approach ("PAA") (continued)

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

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 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 on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
    - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
    - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the period.

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(v) Measurement - Contracts not measured under the premium allocation approach ("PAA") (continued)

Changes in fulfilment cash flows that relate to future services 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;

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

- differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the 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 any loan to a policyholder expected to become repayable in the period and the actual amount that becomes repayable in the period; and

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

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

Direct participating contracts

Direct participating contracts are contracts under which the group'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 group'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 group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(v) Measurement - Contracts not measured under the premium allocation approach ("PAA") (continued)

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

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

Changes in fulfilment cash flows 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.

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(v) Measurement - Contracts not measured under the premium allocation approach ("PAA") (continued)

Reinsurance contracts

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

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

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

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

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(v) Measurement - Contracts not measured under the premium allocation approach ("PAA") (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the 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 on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts (see below);
- reversals of a loss-recovery component (see 'Net expenses from reinsurance contracts' under (viii)) to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the period.

Reinsurance of onerous underlying insurance contracts

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

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

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid (see 'Net expenses from reinsurance contracts' under note 1(e)(viii)).

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(vi) Measurement - Contracts measured under the PAA

The group uses the PAA to simplify the measurement of groups of contracts when the coverage period of each contract in the group is one year or less for insurance and reinsurance contracts.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date. The group has chosen to recognise any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received, and decreased by the amount recognised as insurance revenue for services provided (see note 1(e)(viii)). On initial recognition of each group of contracts, the group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

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

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(vi) Measurement - Contracts measured under the PAA (continued)

Reinsurance contracts

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

If a loss-recovery component (see 'Reinsurance of onerous underlying insurance contracts' under note 1(e)(v)) is created for a group of reinsurance contracts measured under the PAA, then the group adjusts the carrying amount of the asset for remaining coverage instead of adjusting the CSM.

(vii) Derecognition and contract modification

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

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

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

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;

- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and

- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group (see note 1(e)(viii)).

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

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(viii) Presentation

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

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

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

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

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

Insurance revenue - Contracts not measured under the PAA

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

- A release of the CSM, measured based on coverage units provided (see 'Release of the CSM' below).

- Changes in the risk adjustment for non-financial risk relating to current services.

- Claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.

- Other amounts, including experience adjustments for premium receipts for current or past services.

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

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(viii) Presentation (continued)

Release of the CSM

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

Services provided by insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders. Other contracts may also provide investment services for generating an investment return for the policyholder, but only if:

- an investment component exists or the policyholder has a right to withdraw an amount (e.g. the policyholder's right to receive a surrender value on cancellation of a contract);

- the investment component or withdrawal amount is expected to include an investment return; and

- the group expects to perform investment activities to generate that investment return.

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

Insurance revenue - Contracts measured under the PAA

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

Loss components

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

The systematic allocation follows the approach of CSM amortisation, (i.e. mirroring approach), where the loss component is released based on coverage unit.

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(viii) Presentation (continued)

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

Insurance service expenses

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

- Incurred claims and other insurance service expenses.

- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the period that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the group recognises any insurance acquisition cash flows as expenses when it incurs those costs.

- Losses on onerous contracts and reversals of such losses.

- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

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

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

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

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

- on recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and

1 Material accounting policies (continued)

(e) Insurance and reinsurance contracts (continued)

(viii) Presentation (continued)

- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

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

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses (see 'Measurement - Contracts not measured under the PAA' under note 1(e)(v)). They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For contracts without direct participation features that are not measured under PAA, the group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined using the following rates:

- the discount rates determined on initial recognition of the group of contracts; or

- for insurance finance income or expenses arising from the estimates of future cash flows, a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield or based on the amounts credited in the period and expected to be credited in future periods (i.e. the projected crediting rate)); and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts.

Amounts presented in other comprehensive income are accumulated in the insurance finance reserve. If the group derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated other comprehensive income for the contract are reclassified to profit or loss as a reclassification adjustment.

For direct participating contracts, the group presents insurance finance income or expenses in profit or loss.

1 Material accounting policies (continued)

(f) Investment contracts

Contracts under which the transfer of insurance risk to the group from the policyholder is not significant are classified as investment contracts. Contributions received from policyholders are not recognised in profit or loss but are accounted for as deposits in the consolidated statement of financial position.

The group recognises a financial liability, representing its contractual obligation to pass on the return on the underlying investments after the deduction of investment management fees, when the group becomes a party to the contractual provisions. It derecognises the financial liability when the obligations specified in the contract expire or are discharged or cancelled. Amounts collected and paid that are attributable to the financial instrument component are adjusted against the financial liability.

Financial liabilities arising from investment contracts are designated as at fair value through profit or loss ("FVPL") on initial recognition. This is because these liabilities as well as the related assets are managed and their performance is evaluated on a fair value basis. The fair value is the amount payable on demand because the holders can cancel their contracts at any time after contract inception.

Amounts under investment management service contracts assessed against policyholders' account balances that represent compensation to the group for services to be provided in future periods are not recognised in the period assessed. These amounts are reported as unearned revenue liability and are recognised as revenue over the period for which a policyholder is expected to continue receiving investment management services.

Incremental contract costs including incremental direct costs of contracts acquisition are recognised as assets, unless the group does not expect to recover these costs. Contract costs are amortised over the coverage period, using the same assumptions and factors utilised to amortise unearned revenue liability and are reviewed for impairment regularly. They are included in 'other contract assets' in the consolidated statement of financial position and the amortisation and any impairment losses thereon are included in 'other operating expenses' in profit or loss.

(g) Investments

The group's policies for investments in debt and equity securities, loans and receivables, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 3(c). These investments are subsequently accounted for as follows, depending on their classification.

1 Material accounting policies (continued)

(g) Investments (continued)

Investments other than equity investments

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

- amortised cost ("AC"), if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("SPPI") on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (see note 1(s)(iii)).

- fair value through other comprehensive income ("FVOCI") - recycling, if the contractual cash flows of the investment are SPPI and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as investment return in accordance with the policy set out in note 1(s)(ii).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

1 Material accounting policies (continued)

(i) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve within equity. The effective portion that is recognised in other comprehensive income is limited to the accumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve is removed from the reserve and is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified through other comprehensive income to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs. This amount is reclassified to profit or loss when the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the entire amount is reclassified immediately to profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve is immediately reclassified through other comprehensive income to profit or loss.

(j) Other liabilities

Other liabilities are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) those designated as at FVPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

1 Material accounting policies (continued)

(k) Financial liabilities at fair value through profit or loss (continued)

A financial liability, other than a financial liability held for trading or contingent consideration may be paid by an acquirer as part of a business combination, may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVPL.

Financial liabilities at FVPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 3(c).

(l) Fixed assets

Fixed assets, including right-of-use assets arising from leases of underlying fixed assets (see note 1(m)), are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(o)(ii)).

Depreciation is calculated to write off the cost of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold improvements	Shorter of lease term and useful lives
- Office furniture and equipment	5 years
- Computer equipment	3 to 20 years
- Motor vehicle	3 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 Material accounting policies (continued)

(m) Leased assets

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

As a lessee

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the group, are primarily short-term property leases. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is depreciated over the shorter of unexpired term of lease and its estimated useful life and is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(o)(ii)).

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

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

1 Material accounting policies (continued)

(n) Intangible assets

The intangible assets that are acquired by the group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(o)(ii)). Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended.

Intangible assets, such as trade name, are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(o) Credit losses and impairment of assets

(i) Credit loss from financial instruments

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

- financial assets measured at amortised cost (including debt securities, loans and receivables, cash and cash equivalents and other receivables) and

- debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including debt securities measured at FVPL, units in funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

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

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

- fixed-rate financial assets, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

1 Material accounting policies (continued)

(o) Credit losses and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

1 Material accounting policies (continued)

(o) Credit losses and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

1 Material accounting policies (continued)

(o) Credit losses and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- intangible assets;
- investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 Material accounting policies (continued)

(o) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(q) Employee benefits

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

1 Material accounting policies (continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(s) Revenue recognition

Income is classified by the group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the group's business.

Further details of the group's revenue and other income recognition policies are as follows:

(i) The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 1(e).

(ii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 Material accounting policies (continued)

(s) Revenue recognition (continued)

(iii) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at FVPL, the group has separated interest income and expense from the net gains and losses.

(iv) Management and administration fee income from investment contracts are recognised over time when services are rendered.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the date of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the group if that person:

(1) has control or joint control over the group;

(2) has significant influence over the group; or

(3) is a member of the key management personnel of the group or the group's parent.

(ii) An entity is related to the group if any of the following conditions applies:

(1) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

1 Material accounting policies (continued)

(u) Related parties (continued)

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;

(6) The entity is controlled or jointly controlled by a person identified in (i);

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

2 Changes in material accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements - Classification of liabilities as current or non-current* ("2020 amendments") and amendments to HKAS 1, *Presentation of financial statements - Non-current liabilities with covenants* ("2022 amendments")
- Amendments to HKFRS 16, *Leases - Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures - Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments")

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

2 Changes in material accounting policies (continued)

Amendments to HKAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments") (continued)

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the HKAS 1 amendments, the group has reassessed the classification of its liabilities as current or non-current. The amendments do not have a material impact on the group's consolidated financial statements.

Amendments to HKFRS 16, *Leases - Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these consolidated financial statements as the group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: disclosures - Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these consolidated financial statements as the group has not entered into any supplier finance arrangements.

3 Insurance and financial risk management

Risk management objectives and policies for mitigating insurance and financial risk

The group operates in a business environment which is subject to various risks and uncertainties. Such risks and uncertainties can be classified into two categories, insurance risks and financial risks.

Key risks arising from contracts issued

Product	*Key risks*	*Risk mitigation*
Traditional whole-life, term assurance, critical illness and immediate annuity	- Mortality risk: death of policyholder earlier than expected	- Reinsurance with financially strong reinsurers
	- Morbidity risk: diagnosis of critical illness earlier than expected	- Matching of asset and liability cash flows
	- Longevity risk: death of policyholder later than expected	- Investing in investment-grade assets
	- Interest rate risk: differences in duration and yield of assets and liabilities	
	- Investment credit risk	
Traditional participating	- Market risk: investment return on underlying items lower than expected	- Management discretion to determine amount and timing of policyholder dividends
	- Policyholder behaviour risk	- Surrender penalties
Universal life	- Mortality risk	- Reinsurance with financially strong reinsurers
	- Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates	- Management discretion to set crediting rates (subject to guaranteed rates)
	- Policyholder behaviour risk	- Surrender penalties
Deferred annuity	- Longevity risk	- Matching of asset and liability cash flows
	- Interest rate risk	- Management discretion to set crediting rates (subject to guaranteed rates)
	- Policyholder behaviour risk	- Surrender penalties
	- Investment credit risk	- Investing in investment-grade assets
Unit-linked	- Market risk: insufficient fees to cover expenses	- Surrender penalties
	- Policyholder behaviour risk	

3 Insurance and financial risk management (continued)

(a) *Insurance risks*

The group manages insurance risks through prudent pricing guidelines, reinsurance and underwriting management and monitoring internal and external emerging trends and issues.

The group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write in order to ensure appropriate risk selection within the portfolio.

Adherence to the underwriting authorities is monitored through a scheduled underwriting audit. In addition, the group has an Underwriting Committee to establish policies and procedures to supervise and assess the insurance risks and to periodically review and monitor the overall underwriting management process. The group also has a Claims Settlement Committee to establish policies and procedures to supervise the claims settlement policy. The committee monitors the adequacy of the group's reserves for the settlement of claims, reviews significant claims or major events, and investigates any fraudulent claims.

The group reinsures a portion of the risks it underwrites in order to control its exposure to losses to avoid the risk of concentration and to protect capital resources. Such transfers of risks do not relieve the group of its primary liability and, as such, failure of reinsurers to honour their obligations could result in losses. The group reduces this risk by evaluating the financial condition of reinsurers and monitoring for possible concentrations of credit risk. The group has a Reinsurance Committee to establish policies and procedures to properly and regularly supervise and review proposed and existing reinsurance activities covering ceded risks to reinsurers. The committee also periodically reviews and monitors the financial stability of reinsurers.

Concentration of insurance risks

The table below illustrates the concentration of risks based on seven bands of contracts grouped by benefits assured for each life assured.

$'000	*Sum insured before reinsurance* $'000	%	*Sum insured after reinsurance* $'000	%
2024				
0 - 500	25,904,465	13	35,606,057	41
501 - 750	20,127,588	10	25,852,426	31
751 - 1,000	26,747,300	13	23,339,012	27
1,001 - 1,500	30,133,546	15	104,011	0
1,501 - 2,000	22,906,220	11	367,004	0
2,001 - 2,500	14,242,246	7	135,718	0
>2,500	59,495,419	31	576,270	1
Total	199,556,784	100	85,980,498	100

3 Insurance and financial risk management (continued)

(a) *Insurance risks (continued)*

$'000	*Sum insured before reinsurance* $'000	%	*Sum insured after reinsurance* $'000	%
2023				
0 - 500	26,003,758	13	35,955,995	41
501 - 750	25,645,996	13	26,305,909	31
751 - 1,000	14,315,485	7	23,366,646	27
1,001 - 1,500	20,040,155	10	98,479	0
1,501 - 2,000	26,290,655	13	370,443	0
2,001 - 2,500	30,109,050	15	130,637	0
>2,500	59,913,896	29	602,744	1
Total	202,318,995	100	86,830,853	100

Sensitivity analysis

The table below analyses how profit or loss and equity would have increased/(decreased) if changes in insurance risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	2024		*2023*	
	Profit or loss $	*Equity* $	*Profit or loss* $	*Equity* $
Total before risk mitigation by reinsurance				
Mortality/Morbidity rates (10% increase)	228,720,670	244,092,021	138,909,927	104,698,531
Mortality/Morbidity rates (10% decrease)	(235,734,641)	(252,679,199)	(149,780,102)	(114,202,928)
Lapse rates (10% increase)	(58,539,438)	(143,737,547)	267,951,106	(97,366,596)
Lapse rates (10% decrease)	(26,030,472)	35,004,944	(424,645,346)	(33,285,308)
Total after risk mitigation by reinsurance				
Mortality/Morbidity rates (10% increase)	245,987,955	155,975,214	162,677,030	42,550,087
Mortality/Morbidity rates (10% decrease)	(253,206,882)	(158,634,161)	(174,510,036)	(47,682,956)
Lapse rates (10% increase)	(9,496,681)	(140,384,993)	279,850,729	(122,350,938)
Lapse rates (10% decrease)	(80,129,194)	32,547,388	(434,028,349)	(1,178,151)

3 Insurance and financial risk management (continued)

(a) Insurance risks (continued)

Changes in insurance risk variables mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. Profit or loss	- Changes in fulfilment cash flows relating to loss components.
	- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.
b. Equity	- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in OCI.
	- The effect on profit or loss under (a).

(b) Financial risks

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. The group is also exposed to equity price risk arising from its equity investments in other entities. These risks are limited by the group's financial management policies and practices described below.

(i) Credit risk

The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the group is exposed to credit risk are:

- amounts due from issuers of debt securities;
- bank balances;
- reinsurance contract assets;
- commercial and residential mortgage loans;
- other unsecured receivables; and
- derivative financial instruments.

The group manages its financial assets to limit credit risk by diversifying its portfolio among various security types and industry sectors. The group has an Investment Committee to supervise and control investments and related financial matters.

Investment policies and guidelines have to be approved by the committee. In addition, the committee periodically reviews investment strategies and investment performance.

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(i) Credit risk

At 31 December 2024, 0.001% (2023: 0.001%) of the group's debt securities represented investments in asset-backed and mortgage-backed securities in the United States of America which are exposed to sub-prime credit risks. The group does not originate any residential mortgages but invests in residential mortgage loan pools which may contain mortgages of subprime credit quality. Residential mortgage loan pools are pools of homogeneous residential mortgage loans substantially backed by Federal Housing Administration and Veterans Administration guarantees. As of 31 December 2024, the company had no direct subprime exposure through the origination of residential mortgage loans or purchases of unsecuritised mortgage whole-loan pools. The group has implemented a stringent review process for determining the fair value of securities containing these risk characteristics. At 31 December 2024, 98.1% (2023: 97.9%) of the debt securities have Standard and Poor's rating of BBB- or above or equivalent ratings from other reputable rating agencies. As at 31 December 2024, 82.6% (2023: 88.5%) of the loans and receivables have internal rating equivalent to Standard and Poor's ratings of BBB or above or equivalent ratings from other reputable rating agencies. For the year ended 31 December 2024, impairment losses amounting to $120,180,389 (2023: $168,169,759) were recognised in the consolidated statement of profit or loss.

In respect of bank balances, all of them are due from authorised institutions in Hong Kong, Macau, the People's Republic of China, the United Kingdom and the United States of America. Management periodically reviews the credit ratings of these authorised institutions.

With respect to the recoveries due from reinsurers, the group is exposed to the credit risk that the amounts due under a reinsurance contract may not be paid. For the management of the underlying risks, please refer to note 3(a).

In respect of loans to policyholders and other loans to agents and staff, management monitors the repayment status on an ongoing basis. Other unsecured receivables mainly comprise accrued interest income on debt securities, where the credit risks are limited by the diversification of its investment portfolio as mentioned above.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(i) Credit risk (continued)

(1) Credit quality analysis

The following table sets out information about the credit quality of reinsurance contract assets and financial investments (based on reputable external credit ratings agencies and internal rating assessment of equivalent credit rating methodology) by investment grade rated (i.e. BBB- or above) and non-investment grade rated.

	2024 $	*2023* $
Reinsurance contract assets		
Investment grade	6,790,716,168	6,517,665,664
Financial investments - underlying items		
Fair value through profit or loss:		
Investment grade	4,054,931,971	1,079,027,677
Financial investments - not underlying items		
Fair value through profit or loss:		
Investment grade	1,950,116,604	2,030,898,927
Non-investment grade	129,387,848	101,362,119
	2,079,504,452	2,132,261,046
Financial investments - not underlying items		
Fair value through other comprehensive income:		
Investment grade	23,378,223,077	24,946,105,371
Non-investment grade	790,297,113	812,495,856
	24,168,520,190	25,758,601,227
Amortised cost:		
Investment grade	34,171,635,774	32,178,179,099
Non-investment grade	963,911,894	867,625,601
	35,135,547,668	33,045,804,700

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(i) Credit risk (continued)

(1) Credit quality analysis (continued)

The group's maximum exposure to credit risk of accrued investment income and cash and cash equivalents is limited to the carrying amounts of the assets, the majority of which is arising from the financial assets rated as investment grade and deposits with reputable financial institutions.

(2) Amounts arising from ECL on financial assets

The following table set out the credit quality analysis of financial assets measured at FVOCI (recycling) and at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts. For explanations of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired', see note 1(o).

	2024						
	Investment grade			*Non-investment grade*			
	12-month ECL $	*Lifetime ECL not credit-impaired* $	*Lifetime ECL credit-impaired* $	*12-month ECL* $	*Lifetime ECL not credit-impaired* $	*Lifetime ECL credit-impaired* $	*Total* $
Financial assets at amortised cost							
Unlisted debt securities	30,529,529,227	314,309,608	-	-	219,840,169	39,323,826	31,103,002,830
Loans and receivables	3,546,517,523	-	-	-	770,579,141	-	4,317,096,664
Gross carrying amount	34,076,046,750	314,309,608	-	-	990,419,310	39,323,826	35,420,099,494
Less: Loss allowance	(61,609,713)	(157,110,871)	-	-	(26,527,712)	(39,303,530)	(284,551,826)
Amortised cost	34,014,437,037	157,198,737	-	-	963,891,598	20,296	35,135,547,668
Financial assets at FVOCI (recycling)							
Unlisted debt securities							
Gross carrying amount	28,130,416,030	42,798,125	17,174,827	-	871,659,915	443,924,503	29,505,973,400
Less: Loss allowance	(70,128,281)	(19,176,446)	(8,802,435)	-	(32,576,754)	(419,635,960)	(550,319,876)
Amortised cost	28,060,287,749	23,621,679	8,372,392	-	839,083,161	24,288,543	28,955,653,524
Carrying amount - fair value	23,332,174,291	26,242,666	19,806,120	-	760,291,200	30,005,913	24,168,520,190

	2023						
	Investment grade			*Non-investment grade*			
	12-month ECL $	*Lifetime ECL not credit-impaired* $	*Lifetime ECL credit-impaired* $	*12-month ECL* $	*Lifetime ECL not credit-impaired* $	*Lifetime ECL credit-impaired* $	*Total* $
Financial assets at amortised cost							
Unlisted debt securities	27,793,119,009	34,871,177	-	-	299,821,313	39,575,270	28,167,386,769
Loans and receivables	4,428,236,112	-	-	-	606,398,287	-	5,034,634,399
Gross carrying amount	32,221,355,121	34,871,177	-	-	906,219,600	39,575,270	33,202,021,168
Less: Loss allowance	(77,428,547)	(618,652)	-	-	(38,614,532)	(39,554,737)	(156,216,468)
Amortised cost	32,143,926,574	34,252,525	-	-	867,605,068	20,533	33,045,804,700
Financial assets at FVOCI (recycling)							
Unlisted debt securities							
Gross carrying amount	28,571,282,356	86,031,576	16,959,861	-	813,003,504	467,620,750	29,954,898,047
Less: Loss allowance	(113,589,038)	(16,404,658)	(13,965,589)	-	(50,738,761)	(368,387,827)	(563,085,873)
Amortised cost	28,457,693,318	69,626,918	2,994,272	-	762,264,743	99,232,923	29,391,812,174
Carrying amount - fair value	24,865,302,523	60,085,958	20,716,890	-	693,623,049	118,872,807	25,758,601,227

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(i) Credit risk (continued)

(2) Amounts arising from ECL on financial assets (continued)

	2024			
	12-month ECL $	Lifetime ECL Not-credit impaired $	Lifetime ECL Credit impaired $	Total $
Debt securities at amortised cost				
Balance at 1 January 2024	70,695,926	6,223,557	39,554,737	116,474,220
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	(15,721,603)	154,180,588	(2,993)	138,455,992
Exchange alignment	(369,792)	(296,060)	(248,214)	(914,066)
Balance at 31 December 2024	54,604,531	160,108,085	39,303,530	254,016,146
Loans and receivables at amortised cost				
Balance at 1 January 2024	6,732,621	33,009,627	-	39,742,248
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	316,248	(9,315,688)	-	(8,999,440)
Exchange alignment	(43,687)	(163,441)	-	(207,128)
Balance at 31 December 2024	7,005,182	23,530,498	-	30,535,680
Debt securities at fair value through other comprehensive income				
Balance at 1 January 2024	113,589,038	67,143,419	382,353,416	563,085,873
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	(42,949,235)	(15,039,495)	48,712,567	(9,276,163)
Exchange alignment	(511,522)	(350,724)	(2,627,588)	(3,489,834)
Balance at 31 December 2024	70,128,281	51,753,200	428,438,395	550,319,876

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(i) Credit risk (continued)

(2) Amounts arising from ECL on financial assets (continued)

	2023			
	12-month ECL $	*Lifetime ECL Not-credit impaired* $	*Lifetime ECL Credit impaired* $	*Total* $
Debt securities at amortised cost				
Balance at 1 January 2023	55,922,460	18,821,428	26,373	74,770,261
Net increase/(decrease) in loss allowance recognised in current year, net of those derecognised upon settlement	14,734,794	(12,347,690)	39,464,859	41,851,963
Exchange alignment	38,672	(250,181)	63,505	(148,004)
Balance at 31 December 2023	70,695,926	6,223,557	39,554,737	116,474,220
Loans and receivables at amortised cost				
Balance at 1 January 2023	7,782,673	6,124,424	-	13,907,097
Net (decrease)/increase in loss allowance recognised in current year, net of those derecognised upon settlement	(1,050,445)	26,605,408	-	25,554,963
Exchange alignment	393	279,795	-	280,188
Balance at 31 December 2023	6,732,621	33,009,627	-	39,742,248
Debt securities at fair value through other comprehensive income				
Balance at 1 January 2023	92,561,421	51,974,427	317,501,432	462,037,280
Net increase in loss allowance recognised in current year, net of those derecognised upon settlement	23,418,045	12,681,805	64,662,983	100,762,833
Exchange alignment	(2,390,428)	2,487,187	189,001	285,760
Balance at 31 December 2023	113,589,038	67,143,419	382,353,416	563,085,873

(ii) Liquidity risk

The group has to meet daily calls on its cash resources, notably from claims arising from its life insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due. The group manages this risk by setting a minimum level of liquidity cash that will be available to cover claims maturities and surrenders.

3 Insurance and financial risk management (continued)

(b) *Financial risks (continued)*

(ii) Liquidity risk (continued)

(1) Financial liabilities

The following tables show the remaining contractual maturities at the end of the reporting period of the group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the group can be required to pay:

	2024				2023			
	Carrying amount $	Total contractual undiscounted cash flows $	Within 1 year or on demand $	More than 1 year $	Carrying amount $	Total contractual undiscounted cash flows $	Within 1 year or on demand $	More than 1 year $
Non-derivative liabilities								
Other liabilities	635,524,262	635,524,262	635,524,262	-	606,532,335	606,532,335	606,532,335	-
Lease liabilities	165,225,350	172,926,567	93,756,692	79,169,875	205,301,291	211,583,341	116,106,046	95,477,295
	800,749,612	808,450,829	729,280,954	79,169,875	811,833,626	818,115,676	722,638,381	95,477,295

	Carrying amount $	Nominal amount $	Within 1 year or on demand $	More than 1 year $	Carrying amount $	Nominal amount $	Within 1 year or on demand $	More than 1 year $
Derivative liabilities	425,782,027	5,456,352,665	158,997,365	5,297,355,300	240,989,212	2,974,390,748	164,568,248	2,809,822,500

Liabilities under investment contracts

The following table presents the estimated timing of payments for the amounts recognised in the statement of financial position arising from liabilities under investment contracts. These contracts typically include policyholder surrender or transfer options at a value equal to, or below, the carrying value of those liabilities.

	2024			2023		
	Total $	1 year or less $	More than 1 year $	Total $	1 year or less $	More than 1 year $
Investment contract liabilities (note)	4,557,760,288	237,215,015	4,320,545,273	4,588,214,301	239,032,162	4,349,182,139

Note: The balance excludes $538,708,456 (2023: $533,934,623) of unearned revenue liability.

(2) Insurance contracts

The following table provides a maturity analysis of the group's insurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

	Estimates of present value of future cash (inflows)/ outflows						
	1 year or less $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	More than 5 years $	Total $
31 December 2024							
Insurance contracts	(1,701,037,983)	(957,927,642)	533,687,911	147,590,206	2,947,481,296	57,993,219,570	58,963,013,358
31 December 2023							
Insurance contracts	(1,740,529,057)	(1,235,388,152)	(306,072,240)	1,064,873,065	514,035,767	55,420,847,565	53,717,766,948

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(ii) Liquidity risk (continued)

(2) Insurance contracts (continued)

The amounts from insurance contract liabilities that are payable on demand are set out below.

	31 December 2024		*31 December 2023*	
	Amount payable on demand	*Carrying amount*	*Amount payable on demand*	*Carrying amount*
	$	$	$	$
Insurance contracts liabilities	57,371,136,742	69,620,983,524	54,845,893,380	63,579,853,198

(iii) Interest rate risk

Interest rate risk is the potential for interest rates to change, which can cause fluctuations in the value of investments and in the amounts due to policyholders. To the extent that fluctuations in interest rates cause the duration of assets and liabilities to differ, the group controls its exposure to this risk by, among other things, asset and liability matching techniques that account for the cash flow characteristics of the assets and liabilities.

(1) Interest rate profile

The following table details the interest rate profile of the group's financial assets and financial liabilities at the end of the reporting period.

	2024	*2023*
	$	$
Financial assets		
Statutory deposits	1,573,497	1,557,791
Debt securities and loans and receivables	65,438,504,281	62,015,694,650
Loans to agents and staff	68,571,673	68,757,837
Derivative assets	-	70,756,284
Cash and cash equivalents and deposits with banks maturing more than three months	4,893,739,989	4,309,686,741
Financial liabilities		
Investment contract liabilities (note)	4,557,760,288	4,588,214,301
Lease liabilities	165,225,350	205,301,291
Derivative liabilities	320,791,785	35,268,430

Note: The balance excludes $538,708,456 (2023: $533,934,623) of unearned revenue liability.

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(iii) Interest rate risk (continued)

(2) Sensitivity analysis

While it is more difficult to measure the interest sensitivity of the insurance liabilities than that of the related assets, to the extent that the group can measure such sensitivities the group believes that interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products.

An analysis of the group's sensitivity to a 1% parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant is presented below.

	Profit or loss		*Equity*	
	Increase	*Decrease*	*Increase*	*Decrease*
	$	$	$	$
31 December 2024				
Insurance and reinsurance contracts	414,622,657	(524,584,534)	1,750,251,814	(2,542,101,791)
Financial instruments	(551,798,966)	665,537,933	(3,081,720,624)	3,726,260,093
31 December 2023				
Insurance and reinsurance contracts	42,037,080	(209,566,596)	959,919,253	(2,569,493,769)
Financial instruments	(343,873,714)	343,873,714	(2,997,009,640)	2,997,009,640

(iv) Currency risk

The group's currency exchange risk is mainly related to certain policies that are not written in the United States dollars. However, most of the policies are denominated in the United States dollars and Hong Kong dollars. As the group's investments are primarily made in the United States dollars, coupled with the fact that the Hong Kong dollars are pegged to the United States dollars, management does not believe that the currency risk is material. For investments made in non-United States dollars, the group mitigates currency risk through the use of cross-currency swaps and forward contracts. Cross-currency swaps are used to minimise currency risk for certain non-United States dollar assets and liabilities through a pre-specified exchange of interest and principal. Forward contracts are used to hedge movements in exchange rates. As such, no sensitivity analysis is prepared for currency risk.

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(iv) Currency risk (continued)

Exposure to currency risk

The following table details the group's exposure at the end of the reporting period to currency risk arising from financial assets or financial liabilities which are presented in Hong Kong dollars.

	2024								
	United States Dollars	*Macau Patacas*	*British Pounds*	*Australian Dollars*	*Euros*	*Chinese Yuan*	*Japanese Yen*	*Canadian Dollars*	*Thailand Baht*
Financial assets									
Investments	65,277,476,881	-	-	-	-	-	-	-	-
Other receivables	1,274,897,680	49,970	110,635	16,034	(337,694)	(8.631)	21,220	-	-
Cash and cash equivalents and deposits with banks maturing more than three months	3,325,451,805	39,928,647	601,452	207,072	4,279,489	10,208,125	597,902	565,362	1,008
Derivative financial instruments	130,239,592	-	-	-	-	-	-	-	-
	70,008,065,958	39,978,617	712,087	223,106	3,941,795	10,199,494	619,122	565,362	1,008
Financial liabilities									
Derivative financial instruments	(425,782,027)	-	-	-	-	-	-	-	-
Other liabilities	(257,518,531)	(5,590,755)	37	(4,348)	-	(10,858,374)	-	12,904	-
Investment contract liabilities	(2,074,708,404)	(109,662,161)	-	(1,148,883)	-	(9,823,751)	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-
	(2,758,008,962)	(115,252,916)	37	(1,153,231)	-	(20,682,125)	-	12,904	-
Notional amount of currency-related derivative contracts	(53,962,880,650)	-	-	20,320,302	(97,381,892)	546,611,818	(130,937,280)	6,550,029	-
Reinsurance contract assets	1,760,244,109	(9,781,800)	-	(1,191)	-	16,350,041	-	-	-
Insurance contract liabilities	(40,360,205,165)	(1,144,035,626)	(1,627,937)	(6,651,959)	-	(214,406,670)	-	(2,977,138)	-

3 Insurance and financial risk management (continued)

(b) Financial risks (continued)

(iv) Currency risk (continued)

	2023								
	United States Dollars	*Macau Patacas*	*British Pounds*	*Australian Dollars*	*Euros*	*Chinese Yuan*	*Japanese Yen*	*Canadian Dollars*	*Thailand Baht*
Financial assets									
Investments	61,755,386,367	-	-	-	-	-	-	-	-
Other receivables	805,522,383	2,314,557	104,181	16,792	1,048	(5,854)	7,265	-	-
Cash and cash equivalents and deposits with banks maturing more than three months	2,602,406,897	39,303,356	767,562	1,193,282	11,301,471	8,270,602	473,753	631,377	1,008
Derivative financial instruments	220,673,509	-	-	-	-	-	-	-	-
	65,383,989,156	41,617,913	871,743	1,210,074	11,302,519	8,264,748	481,018	631,377	1,008
Financial liabilities									
Derivative financial instruments	(240,989,212)	-	-	-	-	-	-	-	-
Other liabilities	(214,925,595)	(2,632,324)	(18,022)	(706,868)	-	(670,372)	-	565,808	-
Investment contract liabilities	(1,919,810,102)	(96,653,239)	-	(1,099,111)	-	(3,240,405)	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-
	(2,375,724,909)	(99,285,563)	(18,022)	(1,805,979)	-	(3,910,777)	-	565,808	-
Notional amount of currency-related derivative contracts	(28,507,537,616)	-	-	(3,471,598)	49,298,616	(4,876,160)	88,416,000	(1,445,740)	-
Reinsurance contract assets	532,732,650	(71,884,652)	-	(381)	-	20,561,361	-	-	-
Insurance contract liabilities	(34,201,516,477)	(1,028,823,008)	(740,739)	(764,847)	-	(127,584,569)	-	(500,350)	-

3 Insurance and financial risk management (continued)

(v) Equity price risk

The portfolio of unit trusts backing linked insurance contracts, which the group carries on its statement of financial position at fair value, has exposure to price risk. However, such price risk is fully borne by the policyholders as the benefits payable are linked to the price of the securities.

The portfolio of unit trusts backing non-linked insurance contracts, which the group carries on its statement of financial position at fair value, also has exposure to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

Sensitivity analysis

An analysis of the group's sensitivity to a 10% increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

	Profit or loss		*Equity*	
	Increase	*Decrease*	*Increase*	*Decrease*
	$	$	$	$
31 December 2024				
Insurance and reinsurance contracts	(352,004,093)	351,600,476	(418,627,522)	418,200,983
Financial instruments	646,175,055	(646,175,055)	646,175,055	(646,175,055)
31 December 2023				
Insurance and reinsurance contracts	(207,130,162)	207,098,806	(215,264,001)	215,600,645
Financial instruments (restated)	538,850,430	(538,850,430)	538,850,430	(538,850,430)

3 Insurance and financial risk management (continued)

(c) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The group has established and maintained policies and guidelines that govern its valuation methodologies and their consistent application. These policies and guidelines address the use of inputs, price source hierarchies and provide controls around the valuation processes.

These controls include appropriate review and analysis of prices against market activity or indicators for reasonableness, approval of price source changes, price overrides, methodology changes and classification of fair value hierarchy levels. The valuation policies and guidelines are reviewed and updated as appropriate.

Annually, the group conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While the group was not provided access to proprietary models of the vendors, the reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The review also included an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations, a process the group continues to perform for each reporting period.

In addition, the pricing vendors have an established challenge process in place for all security valuations, which facilitates identification and resolution of prices that fall outside expected ranges. The group believes that the prices received from the pricing vendors are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

The group reviews the fair value hierarchy classification at each reporting period. Overall, reclassifications between levels occur when there are changes in the observability of inputs and market activity used in the valuation of a financial asset or liability. Such reclassifications are reported as transfers between levels at the beginning of the reporting period in which the changes occur. For equity and other securities and mutual fund investments, transfers between Level 1 and Level 2 measurement categories are expected to be infrequent. Transfers between Level 1 and Level 2 are summarised in the fair value hierarchy table below. Transfers into and out of Level 3 are summarised in the movement in Level 3 assets and liabilities.

The fair value of short-term debt instruments, a maturity less than 30 days, is assumed to be equal to the book value. The group generally uses unadjusted quotable market prices from independent brokers, when available, to determine the fair value of debt instruments with a maturity greater than 30 days.

2024

	Level 1 $	*Level 2* $	*Level 3* $	*Total* $
Recurring fair value measurements				
Assets				
Fair value through other comprehensive income:				
- Debt securities	2,281,834,304	18,519,370,515	3,367,315,371	24,168,520,190
Designated at fair value through profit or loss:				
- Debt securities	36,039,773	6,022,473,535	75,923,115	6,134,436,423
- Unit trusts	2,696,186,958	5,821,025,826	667,566,068	9,184,778,852
- Unlisted equity and other securities	-	-	2,939,988,639	2,939,988,639
Derivative financial instruments:				
- Currency swaps	-	121,965,947	-	121,965,947
- Forward contracts	-	8,273,646	-	8,273,646
	5,014,061,035	30,493,109,469	7,050,793,193	42,557,963,697
Liabilities				
Derivative financial instruments:				
- Currency swaps	-	18,352,571	-	18,352,571
- Forward contracts	-	3,039,549	-	3,039,549
- Bond forward contracts	-	320,791,785	-	320,791,785
- Collateral	-	83,598,122	-	83,598,122
Investment contract liabilities (note)	-	4,557,760,288	-	4,557,760,288
	-	4,983,542,315	-	4,983,542,315

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

2023

	Level 1 $	*Level 2* $	*Level 3* $	*Total* $
Recurring fair value measurements				
Assets				
Fair value through other comprehensive income:				
- Debt securities	2,466,599,609	19,557,856,544	3,734,145,074	25,758,601,227
Designated at fair value through profit or loss:				
- Debt securities	38,392,630	3,097,513,392	75,382,701	3,211,288,723
- Unit trusts	2,152,118,473	5,975,295,216	459,949,549	8,587,363,238
- Unlisted equity and other securities	-	-	2,548,743,872	2,548,743,872
Derivative financial instruments:				
- Currency swaps	-	147,924,824	-	147,924,824
- Forward contracts	-	1,992,401	-	1,992,401
- Bond forward contracts	-	70,756,284	-	70,756,284
	4,657,110,712	28,851,338,661	6,818,221,196	40,326,670,569
Liabilities				
Derivative financial instruments:				
- Currency swaps	-	15,416,397	-	15,416,397
- Forward contracts	-	6,178,206	-	6,178,206
- Bond forward contracts	-	35,268,430	-	35,268,430
- Collateral	-	184,126,179	-	184,126,179
Investment contract liabilities (note)	-	4,588,214,301	-	4,588,214,301
	-	4,829,203,513	-	4,829,203,513

Note: The balance excludes $538,708,456 (2023: $533,934,623) of unearned revenue liability.

There were transfers of debt securities measured at fair value through profit or loss from Level 1 to Level 2 of $Nil (2023: $10,095,706).

There were transfers of debt securities measured at fair value through other comprehensive income from Level 1 to Level 2 of $Nil (2023: $1,207,952,237) and from Level 2 to Level 3 of $Nil (2023: $4,296,433) during the year ended 31 December 2024.

There was transfer of unit trust measured at fair value through profit or loss from Level 1 to Level 2 of $Nil (2023: $227,692,406) during the year ended 31 December 2024.

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

There were no transfers into Level 3 during the year. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements

The group determines the estimated fair value of its investments using primarily the market approach or the income approach. The use of quoted prices for identical assets and matrix pricing or other similar techniques are examples of market approaches, while the use of discounted cash flow methodologies is an example of the income approach. The group attempts to maximise the use of observable inputs and minimise the use of unobservable inputs in selecting whether the market or the income approach is used.

Debt securities

U.S. Treasury securities and obligations of U.S. government corporations and agencies - These securities are principally valued using the market approach. Level 2 valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as the benchmark U.S. Treasury yield curve, the spreads versus the U.S. Treasury curve for the identical security and comparable securities that are actively traded.

Debt securities issued by foreign governments and state and local government securities - These securities are principally valued using the market approach. Level 2 valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs including benchmark U.S. Treasury or other yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit rating. Valuations based primarily on matrix pricing, discounted cash flow models or other valuation techniques that utilise significant inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data or from inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 are classified as Level 3.

Assets-backed securities ("ABS") and mortgage-backed securities ("MBS") - These securities are principally valued using the market approach or the income approach. Level 2 valuations are based primarily on broker quotes, matrix pricing, discounted cash flow methodologies or other similar techniques using standard market inputs including spreads for similar, actively traded securities, spreads versus benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, issuer credit ratings, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, security structure, deal performance and loan vintage. If the matrix pricing, discounted cash flow models or other valuation techniques utilise significant inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, the fair value measurement is classified as Level 3.

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Corporate securities - These securities are principally valued using the market or the income approaches. Level 2 valuations are based primarily on quoted prices in markets that are not active, broker quotes or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads versus benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately placed securities are valued using discounted cash flow models using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. This level also includes securities priced by independent pricing services that use observable inputs. Valuations based on matrix pricing or other similar techniques that utilise significant unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including adjustments for illiquidity, delta spread adjustments or spreads to reflect industry trends or specific credit-related issues are classified as Level 3. In addition, inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 are classified as Level 3.

Unit trusts and equity and other securities

These securities are principally valued using the market approach. Level 2 valuations for equity and other securities are based on quoted market prices adjusted for certain factors, such as foreign market differential. If quoted market prices are not available, values provided by other third-party organisations are used. If values from other third parties are unavailable, certain equity and other securities, including privately held securities classified within equity and other securities, are valued using the market and the income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using inputs such as latest round of financing and market comparable peers. Certain of these securities are valued based on inputs including quoted prices for identical or similar securities and discounted cash flow. These valuations are based on lower levels of trading activity than securities classified in Level 2 and are classified as Level 3.

Derivative financial instruments

These financial instruments are primarily valued using the market approach. The estimated fair value of derivatives is based primarily upon quotations obtained from counterparties and independent sources, such as quoted market values received from brokers. These quotations are compared to internally derived prices and a price challenge is lodged with the counterparties and an independent source when a significant difference cannot be explained by appropriate adjustments to the internal model.

When quoted market values are not reliable or available, the value is based upon an internal valuation process using market observable inputs that other market participants would use.

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Significant inputs to the valuation of derivative financial instruments include Secured Overnight Financing Rate, Overnight Indexed Swap, interest rate volatility, swap yield curve, currency spot rates, cross currency basis curves and dividend yield curves. Due to the observability of the significant inputs to these fair value measurements, they are classified as Level 2.

The use of different assumptions or valuation methodologies may have a material impact on the estimated fair value amounts. For the periods presented, there were no significant changes to the group's valuation techniques.

Information about Level 3 fair value measurements

	Valuation techniques	*Significant unobservable inputs*	*Range Min*	*Max*	*Weighted average*
Financial assets:					
Debt securities					
- Corporate securities	Matrix pricing and DCF	Credit spread	59BPS	360BPS	133BPS
Equities securities, FVPL					
- Unit trusts	Net asset value	Net asset value	-	-	-
Equity and other securities, FVPL					
- Limited liability partnerships	Net asset value	Net asset value	-	-	-

A description of the sensitivity of the estimated fair value to changes in the significant unobservable inputs for the more significant asset and liability classes is as follows:

Corporate securities - Internally-priced corporate securities classified in Level 3 include certain below investment grade watch list and distressed fixed maturity securities. For securities where discounted cash flows are used, the primary unobservable input is the internally-developed discount rate. Significant increases in the discount rate would result in a significantly lower fair value, with the opposite being true for decreases in the discount rate. In certain cases, the group uses an estimated liquidation value of the borrower or underlying assets. The group also applies market comparables, such as earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples for certain securities. In isolation, an increase in the value of these inputs would result in an increase in fair value, with the opposite being true for decreases in the value of these inputs. As at 31 December 2024, it is estimated that with all other variables held constant, a decrease/increase in credit spread by 100 BPS would have increased/decreased the group's other comprehensive income by $230,738,662 (2023: $203,257,472). As at 31 December 2024, it is estimated that with all other variables held constant, a decrease/increase in credit spread by 100 BPS would have increased/decreased the group's profit or loss by $4,175,237 (2023: $1,031,609).

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Unit trusts - The fair value estimation is based on the net asset value attributable to the group determined by the respective fund managers. At 31 December 2024, for the fair value sensitivity analysis of unit trusts classified as Level 3, it is estimated that with all other variables held constant, a decrease/increase in net asset value by 10% would have decreased/increased the group's profit or loss by $66,756,607 (2023: $45,994,955).

Limited liability partnerships - The fair value estimation is based on the net asset value attributable to the group determined by the respective fund managers. If such net asset value attributable to the group is not yet readily available, adjustments to the fair value of the funds are made based on the latest net asset value with adjustments based on subsequent contribution made and distribution received by the group. At 31 December 2024, for the fair value sensitivity analysis of limited liability partnerships classified as Level 3, it is estimated that with all other variables held constant, a decrease/increase in net asset value by 10% would have decreased/increased the group's profit or loss by $293,998,864 (2023: $254,874,387).

The gains or losses arising from the disposal of FVOCI securities are presented in "other investment revenue" in the consolidated statement of profit or loss. The net unrealised gains arising from the remeasurement of FVOCI securities are recognised in other comprehensive income.

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	$
Debt securities measured at fair value through comprehensive income:	
At 1 January 2023	4,081,296,759
Net realised losses recognised in profit or loss during the year	(412,274,135)
Payment for purchases	18,809,148
Settlements	(86,098,765)
Net unrealised gains recognised in other comprehensive income during the year	127,589,837
Transfer into Level 3	4,296,433
Exchange alignment	525,797
At 31 December 2023	3,734,145,074
At 1 January 2024	3,734,145,074
Net realised losses recognised in profit or loss during the year	(119,233,284)
Payment for purchases	89,666,850
Settlements	(356,132,195)
Net unrealised gains recognised in other comprehensive income during the year	40,668,306
Exchange alignment	(21,799,380)
At 31 December 2024	3,367,315,371

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

	$
Debt securities measured at fair value through profit or loss:	
At 1 January 2023	74,567,516
Net realised losses recognised in profit or loss during the year	(62,352)
Net unrealised gains recognised in profit or loss during the year	856,306
Exchange alignment	21,231
At 31 December 2023	75,382,701
At 1 January 2024	75,382,701
Net realised losses recognised in profit or loss during the year	(91,633)
Net unrealised gains recognised in profit or loss during the year	1,109,405
Exchange alignment	(477,358)
At 31 December 2024	75,923,115

	$
Unlisted equity and other securities measured at fair value through profit or loss:	
At 1 January 2023	2,253,697,554
Net realised losses recognised in profit or loss during the year	(105,870,957)
Sales	(35,743)
Contribution/dividend reinvestment	453,203,975
Net unrealised losses recognised in in profit or loss during the year	(53,131,931)
Exchange alignment	880,974
At 31 December 2023	2,548,743,872
At 1 January 2024	2,548,743,872
Contribution/Dividend reinvestment	268,278,335
Net realised gains recognised in profit or loss during the year	153,979,338
Net unrealised losses recognised in profit or loss during the year	(14,695,011)
Exchange alignment	(16,317,895)
At 31 December 2024	2,939,988,639

3 Insurance and financial risk management (continued)

(c) *Fair value measurement (continued)*

(i) Financial assets and liabilities measured at fair value (continued)

	$
Unit trusts measured at fair value through profit or loss:	
At 1 January 2023	489,008,499
Net unrealised losses recognised in profit or loss during the year	(29,142,913)
Exchange alignment	83,963
At 31 December 2023	459,949,549
At 1 January 2024	459,949,549
Payment for purchases	179,400,000
Net unrealised gains recognised in profit or loss during the year	32,087,883
Exchange alignment	(3,871,364)
At 31 December 2024	667,566,068

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 2024 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2024		*Fair value measurements as at 31 December 2024 categorised into*		
	Carrying amount $	*Fair value* $	*Level 1* $	*Level 2* $	*Level 3* $
Amortised cost debt securities	30,848,986,684	27,723,601,555	2,251,029,917	24,212,129,962	1,260,441,676
Amortised cost loans and receivables	4,286,560,984	3,929,820,263	-	-	3,929,820,263

	2023		*Fair value measurements as at 31 December 2023 categorised into*		
	Carrying amount $	*Fair value* $	*Level 1* $	*Level 2* $	*Level 3* $
Amortised cost debt securities	28,050,912,549	26,043,965,511	2,372,128,607	22,252,750,373	1,419,086,531
Amortised cost loans and receivables	4,994,892,151	4,612,052,743	-	-	4,612,052,743

3 Insurance and financial risk management (continued)

(c) Fair value measurement (continued)

(ii) Fair value of financial instruments carried at other than fair value (continued)

Amortised cost loans and receivables - The fair value of loans and receivables is established using a discounted cash flow method based on credit rating, maturity and future income. The fair value for impaired loans and receivables is based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. A significant increase/(decrease) in the discount rate would result in a significant decrease/(increase) to the fair value.

(d) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements

The following summarises gross and net information of derivative assets and liabilities, along with collateral received and posted in connection with a master netting agreement:

	2024					
	Gross $	*Gross amounts offset* $	*Net amount* $	*Due and accrued* $	*Collateral posted* $	*Net amount* $
Derivative assets	131,363,193	(1,123,600)	130,239,593	3,513,711	(83,598,122)	50,155,182
Derivative liabilities	343,307,505	(1,123,600)	342,183,905	(156,487)	(317,452,377)	24,575,041

	2023					
	Gross $	*Gross amounts offset* $	*Net amount* $	*Due and accrued* $	*Collateral posted* $	*Net amount* $
Derivative assets	226,601,207	(5,927,698)	220,673,509	3,696,099	(184,126,178)	40,243,430
Derivative liabilities	62,790,731	(5,927,698)	56,863,033	(388,811)	(28,750,184)	27,724,038

The group's principal derivative market risk exposures are interest rate risk, which includes the impact of inflation, and credit risk. Interest rate risk pertains to the change in fair value of the derivative instruments as market interest rates move. The group is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to minimise credit risk the group and its derivative counterparties generally enter into master agreements that require collateral to be posted in the amount owed under each transaction, subject to minimum transfer amounts. These same master agreements allow for contracts in a positive position, in which the group is due amounts, to be offset by contracts in a negative position. This right of offset combined with collateral obtained from counterparties, reduces the group's exposure. The group regularly monitors counterparty credit ratings and exposures, derivatives positions and valuations, and the value of collateral posted to ensure counterparties are credit worthy and the concentration of exposure is minimised. The group monitors this exposure as part of its management of the group's overall credit exposures.

If amounts are due from the counterparty, they are reported as an asset. If amounts are due to the counterparty, they are reported as a liability. Negative values in the carrying value of a particular derivative category can result from the counterparty's right to offset carrying value positions in other derivative categories.

3 Insurance and financial risk management (continued)

(e) Claims development

The uncertainties about the amount and timing of claims payment are typically resolved within one year.

(f) Cash flow hedge

As at 31 December 2024 and 2023, the group uses bond forward contract to provide cash flow hedge in order to protect from interest rate volatility and re-investment risk.

The hedge effectiveness is demonstrated by the contractual term in physical delivery of bond.

The potential sources of ineffectiveness are as below:

- Change in the delivery date for the hedged items;
- Change in cash level of the portfolio (below the notional amount of the contract) due to mis-payment of coupon or/and principal payment or significant below premium inflow from sales;
- Significant change in credit risk of the counterparty to the forward contract.

The group assesses the hedge effectiveness at the inception of the hedge, at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements.

As at 31 December 2024, bond forward contracts with nominal amount of $5,356,863,300 (2023: $2,812,518,000) have maturity of less than 5 years from the reporting date.

4 Critical accounting judgements and key sources of estimation uncertainty

(a) Actuarial assumptions on liabilities for remaining coverage of insurance and reinsurance contract

The process used to determine the assumptions is intended to result in estimates of the most likely outcome with reasonable provisions for possible adverse deviations.

The assumptions that are considered include the expected number and timing of deaths, surrenders, discount rates, renewal expenses and inflation over the period of exposure. Note 21(e) provides detailed information about the actuarial assumptions on liabilities for remaining coverage of insurance and reinsurance contract liabilities.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) Classification and fair value of derivatives and financial instruments

Under HKFRS 9, classification of financial instruments depends on the contractual cash flow characteristics (the SPPI criteria) and driven by the business model of the entity. A financial asset that does not meet the SPPI criterion is always measured at FVPL, unless it is an equity instrument for which an entity applies the election to measure at FVOCI. Management judgement is involved throughout the assessment.

The group selects appropriate valuation techniques for financial instruments which are classified as level 2 and 3 investments in accordance with the group's significant accounting policies. Note 3(c) provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

(c) Expected credit loss estimation

The group selects appropriate methodology and assumptions in accordance with the group's significant accounting policies. Note 3 provides detailed information about the key assumptions used in the determination of the expected credit loss of financial instruments classified under amortised cost and for debt instruments carried at FVOCI.

5 Insurance revenue

	2024 $	*2023* $
Contracts not measured under PAA		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised for services provided (note 21(a))	692,647,253	713,494,404
- Change in risk adjustment for non-financial risk for risk expired	(32,769,586)	(23,262,704)
- Expected incurred claims and other insurance service expenses	976,597,333	874,072,397
Recovery of insurance acquisition cash flows	806,430,352	719,583,386
	2,442,905,352	2,283,887,483
Contracts measured under PAA	357,848,544	342,854,123
Total insurance revenue (note 21(a))	2,800,753,896	2,626,741,606

6 Net financial result

The following table analyses the net financial result in profit or loss and other comprehensive income.

	Note	2024 $	2023 $
Investment return			
Interest revenue calculated using effective interest method (note (b))		2,998,877,032	2,682,574,527
Other investment revenue (note c))		827,701,502	617,991,198
Net impairment loss on financial assets (note (d))		(120,180,389)	(168,169,759)
Total investment return		3,706,398,145	3,132,395,966
Net finance (expenses)/income from insurance contracts			
Change in fair value of underlying items		(738,015,665)	(502,540,683)
Interest accreted		(2,578,990,525)	(2,527,000,789)
Effect of changes in interest rates and other financial assumptions		2,265,631,142	(1,334,198,371)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(1,923,202,582)	(4,605,529)
Net foreign exchange (loss)/gain		(172,034,868)	31,739,509
Total net finance expenses from insurance contracts (note (a))	21(a)	(3,146,612,498)	(4,336,605,863)
Net finance income/(expenses) from reinsurance contracts			
Interest accreted		346,122,103	300,876,921
Others		81,695,402	(104,597,553)
Total net finance income from reinsurance contracts (note (a))	21(a)	427,817,505	196,279,368
Movement in investment contracts liabilities		(203,145,285)	(207,907,143)
Net financial result		784,457,867	(1,215,837,672)
Net financial result			
Amounts recognised in profit or loss		652,817,506	715,866,226
Amounts recognised in other comprehensive income		131,640,361	(1,931,703,898)
		784,457,867	(1,215,837,672)

6 Net financial result (continued)

(a) *Insurance finance income and expenses*

	2024	*2023*
	$	*$*
Net finance expenses from insurance contracts		
Amounts recognised in profit or loss	(3,097,871,554)	(2,293,667,116)
Amounts recognised in other comprehensive income	(48,740,944)	(2,042,938,747)
	(3,146,612,498)	(4,336,605,863)
Net finance income from reinsurance contracts		
Amounts recognised in profit or loss	247,436,200	85,044,519
Amounts recognised in other comprehensive income	180,381,305	111,234,849
	427,817,505	196,279,368

(b) *Interest revenue calculated using effective interest method*

	2024	*2023*
	$	$
Interest revenue calculated using effective interest method		
Financial assets measured at amortised cost	1,882,224,555	1,513,270,239
Financial assets measured at fair value through other comprehensive income	1,116,652,477	1,169,304,288
Total interest revenue calculated using effective interest method	2,998,877,032	2,682,574,527

6 Net financial result (continued)

(c) Other investment revenue

	2024 $	*2023* $
Underlying items		
Net gains of financial instruments designated at fair value through profit or loss		
Net (losses)/gains of debt securities	(135,744,330)	23,205,596
Net gains/(losses) of financial instruments mandatorily measured at fair value through profit or loss		
Net gains of debt securities	123,943,902	1,727,632
Net gains of equity securities, fund investments and unit trusts	457,259,722	301,822,596
Net fair value movement on derivatives	(4,478,571)	(2,301,067)
Net gains in respect of financial instruments measured at fair value through profit or loss	440,980,723	324,454,757
Interest income for financial instruments designated at fair value through profit or loss	86,982,090	13,993,505
Dividend income from equity instruments measured at fair value through profit or loss	147,630,536	117,461,530
Others	1,665,445	513,119
	677,258,794	456,422,911

6 Net financial result (continued)

(c) Other investment revenue (continued)

	2024 $	2023 $
Not underlying items		
At AC/FVOCI		
Net realised losses on disposal of FVOCI debt securities	(6,433,268)	(41,803,952)
Net realised gains/(losses) on disposal of debt securities at amortised cost	2,047,522	(16,318,752)
Net realised losses on loans and receivables	(32,288,133)	(28,404)
	(36,673,879)	(58,151,108)
At fair value through profit or loss		
Net gains/(losses) of financial instruments mandatorily measured at fair value through profit or loss		
Net gains of debt securities	82,048,406	20,410,475
Net losses of equity securities, fund investment and others, unit trusts	(3,214,037)	(36,334,628)
Net fair value movement on derivatives	(111,574,599)	(42,044,168)
Net losses in respect of financial instruments measured at fair value through profit or loss	(32,740,230)	(57,968,321)
Interest income for financial instruments mandatorily measured at fair value through profit or loss	71,729,832	110,283,184
Dividend income from equity instruments measured at:		
- fair value through other comprehensive income	-	88,455
- fair value through profit or loss	148,126,985	134,673,770
Others	-	32,642,307
	150,442,708	161,568,287
Total other investment revenue	827,701,502	617,991,198

Included in the other investment revenue, there were disposals and derecognition of debt securities at amortised costs resulted from investment risk management, rebalancing of investment portfolio and repayment from debt securities upon maturity.

6 Net financial result (continued)

(d) *Net impairment loss on financial assets*

	2024 $	2023 $
Not underlying items		
Impairment loss of amortised cost debt securities	(129,456,552)	(67,406,926)
Impairment loss of fair value through other comprehensive income debt securities	9,276,163	(100,762,833)
Total net impairment loss on financial assets	(120,180,389)	(168,169,759)

7 Revenue from investment management services

	2024 $	2023 $
Management fee for investment contracts (note 22)	21,043,912	26,208,920

The amount represents fees deducted from account balances of investment contracts, most of it is non-refundable up-front fees which is recognised as profit through unearned revenue liability movement.

8 Other income

	2024 $	2023 $
Trustee fee income	25,996,913	36,278,123
Other income	53,678,725	26,590,781
	79,675,638	62,868,904

9 Expenses

	Note	2024 $	2023 $
Claims and benefits		879,218,306	926,495,557
Fees and commissions		1,740,316,202	2,461,819,352
Losses and reversal of losses on onerous insurance contracts	21(a)	14,044,676	(50,016,701)
Staff costs			
- Salaries, wages and other benefits		436,933,879	403,594,219
- Contributions to defined contribution retirement plans		26,177,588	22,867,355
Auditors' remuneration		9,540,000	16,564,000
Legal and professional costs		(2,398,701)	4,590,896
Depreciation and amortisation on property and equipment and other intangible assets	13	191,181,134	178,050,640
Information, data and communication expenses		6,790,303	6,221,828
Net exchange loss		44,370,797	11,560,783
Movement in other contract assets		(3,597,301)	(4,056,329)
Operating lease charges in respect of properties	13(a)	-	11,922,770
Finance cost - interest on lease liabilities	13(a)	5,697,503	6,405,564
Others		332,239,745	399,414,308
Amounts attributed to insurance acquisition cash flows incurred during the year	21(b)	(2,152,613,071)	(2,878,973,606)
Amortisation of insurance acquisition cash flows	21(a)	869,056,857	810,972,461
		2,396,957,917	2,327,433,097

Represented by:

	2024 $	2023 $
Insurance service expenses	2,108,240,998	2,054,007,656
Other operating expenses	283,019,416	267,019,877
Other finance costs	5,697,503	6,405,564
	2,396,957,917	2,327,433,097

10 Income tax in the consolidated statement of profit or loss and other comprehensive income

(a) *Taxation in the consolidated statement of profit or loss represents:*

	2024 $	2023 $
Current tax - Hong Kong Profits Tax		
Provision for the year	68,773,524	58,543,005
Over-provision in respect of prior years	(129,926)	(217,425)
	68,643,598	58,325,580
Current tax - Macau Complementary Tax		
Provision for the year	7,838,115	54,928,178
Over-provision in respect of prior years	(5,926,930)	(2,139,323)
	1,911,185	52,788,855
Deferred tax		
Origination and reversal of temporary differences	55,880,816	(5,743,018)
	126,435,599	105,371,417

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

The provision for Macau Complementary Tax is calculated at tax rate of 12.0% (2023: 12.0%) of the estimated assessable profits for the year.

For this subsidiary, the first $2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2023.

10 Income tax in the consolidated statement of profit or loss and other comprehensive income (continued)

(b) Taxation in the consolidated statement of other comprehensive income represents:

	2024 $	*2023* $
Items that will not be reclassified to profit or loss		
Equity investment at fair value through other comprehensive income - net movement in fair value reserve (non-recycling)	-	(91,243)
Items that are or maybe reclassified subsequently to profit or loss		
Net movement in the fair value reserve during the year recognised in other comprehensive income	51,472,369	97,629,130
Exchange differences arising on translation of results of foreign operations	(9,298,368)	2,156,478
Net finance income from insurance contracts	29,252,060	25,271,482
Net finance income from reinsurance contracts	(13,888,729)	(11,083,003)
	57,537,332	113,974,087
	57,537,332	113,882,844

10 Income tax in the consolidated statement of profit or loss and other comprehensive income (continued)

(c) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	2024 $	2023 $
Profit before taxation	1,097,964,496	1,077,995,708
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	159,661,375	130,481,994
Tax effect of surplus transferred from Hong Kong long term individual life business	(84,443,218)	(28,086,837)
Notional tax on net premiums written in respect of Hong Kong long term individual life business	61,468,742	57,721,341
Difference in tax in foreign jurisdiction	6,448,126	(46,502,074)
Tax effect of non-taxable revenue	(14,511,977)	(170,395)
Tax adjustment in respect of prior years	(6,056,856)	(2,356,748)
Tax effect of non-deductible expenses	1,576	1,574
Tax effect of unused tax losses not recognised	23,081	25,580
Others	3,844,750	(5,743,018)
Actual tax expense	126,435,599	105,371,417

(d) *Pillar Two income taxes*

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. On 27 December 2024, the Hong Kong SAR Government amended the Inland Revenue Ordinance to introduce a domestic minimum top-up tax which will take effect from the year ending 31 December 2025. The group is in progress of assessing the impact to the group's consolidated financial statements.

The group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

11 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024 $	*2023* $
Directors' fees	756,000	892,161
Salaries, bonus, allowances and benefits in kind	3,646,440	4,007,877
Discretionary bonuses	1,823,220	3,456,264
Retirement scheme contribution	364,644	400,788
	6,590,304	8,757,090

12 Other comprehensive income

Reclassification adjustments relating to components of other comprehensive income

	2024 $	*2023* $
Debt securities classified as fair value through other comprehensive income:		
Changes in fair value recognised during the year	(1,233,208,022)	1,170,854,159
Reclassification adjustments for amounts transferred to profit or loss:		
Net losses on disposal	6,433,265	41,803,952
Impairment losses	(9,276,163)	100,762,833
Net movement in the fair value reserve during the year recognised in other comprehensive income	(1,236,050,920)	1,313,420,944

13 Fixed assets

	Leasehold improvements $	*Motor vehicle* $	*Office furniture* $	*Office equipment* $	*Computer equipment - hardware* $	*Computer equipment - software* $	*Properties leased for own use* $	*Total* $
Cost:								
At 1 January 2024	103,694,705	2,817,673	14,822,371	31,643,118	57,292,951	506,524,313	385,895,477	1,102,690,608
Additions	27,668,709	-	3,024,092	4,038,893	7,322,447	51,397,758	74,844,502	168,296,401
Disposals/derecognition	-	-	-	(17,121,771)	(1,408,004)	-	(90,257,086)	(108,786,861)
Exchange alignment	(779,331)	(17,665)	(107,051)	(137,280)	(386,816)	(3,415,657)	(2,347,349)	(7,191,149)
At 31 December 2024	130,584,083	2,800,008	17,739,412	18,422,960	62,820,578	554,506,414	368,135,544	1,155,008,999
Accumulated depreciation:								
At 1 January 2024	80,104,234	885,488	8,343,612	23,395,207	41,158,564	120,526,285	196,818,920	471,232,310
Charge for the year	27,900,575	937,716	3,003,713	3,734,008	8,400,404	36,195,020	111,009,698	191,181,134
Written back on disposals/derecognition	-	-	-	(17,121,771)	(1,408,004)	-	(90,257,086)	(108,786,861)
Exchange alignment	(632,516)	(9,932)	(66,338)	(84,146)	(290,698)	(924,676)	(1,330,861)	(3,339,167)
At 31 December 2024	107,372,293	1,813,272	11,280,987	9,923,298	47,860,266	155,796,629	216,240,671	550,287,416
Net book value:								
At 31 December 2024	23,211,790	986,736	6,458,425	8,499,662	14,960,312	398,709,785	151,894,873	604,721,583

	Leasehold improvements $	*Motor vehicle* $	*Office furniture* $	*Office equipment* $	*Computer equipment - hardware* $	*Computer equipment - software* $	*Properties leased for own use* $	*Total* $
Cost:								
At 1 January 2023	104,319,915	-	15,126,224	31,426,914	51,911,965	478,398,755	321,684,626	1,002,868,399
Additions	7,212,862	2,813,147	1,118,220	3,032,149	7,665,965	28,681,858	105,449,823	155,974,024
Disposals/derecognition	(7,864,938)	-	(1,425,625)	(2,824,689)	(2,307,491)	(729,290)	(41,428,062)	(56,580,095)
Exchange alignment	26,866	4,526	3,552	8,744	22,512	172,990	189,090	428,280
At 31 December 2023	103,694,705	2,817,673	14,822,371	31,643,118	57,292,951	506,524,313	385,895,477	1,102,690,608
Accumulated depreciation:								
At 1 January 2023	64,992,340	-	7,090,442	20,247,536	35,281,678	90,076,043	129,018,496	346,706,535
Charge for the year	22,935,195	884,065	2,674,888	5,961,893	8,165,510	31,106,553	106,322,536	178,050,640
Written back on disposals/derecognition	(7,864,938)	-	(1,425,625)	(2,824,689)	(2,307,491)	(729,290)	(38,665,495)	(53,817,528)
Exchange alignment	41,637	1,423	3,907	10,467	18,867	72,979	143,383	292,663
At 31 December 2023	80,104,234	885,488	8,343,612	23,395,207	41,158,564	120,526,285	196,818,920	471,232,310
Net book value:								
At 31 December 2023	23,590,471	1,932,185	6,478,759	8,247,911	16,134,387	385,998,028	189,076,557	631,458,298

13 Fixed assets (continued)

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2024 $	*31 December 2023* $
Properties leased for own use, carried at depreciated cost	151,894,873	189,076,556
Computer equipment - hardware, carried at depreciated cost	840,524	2,875,811
Office equipment, carried at depreciated cost	4,788,466	2,990,401
	157,523,863	194,942,768

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 $	*2023* $
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	111,009,698	106,322,536
Computer equipment - hardware	2,026,723	2,026,723
Office equipment	1,629,154	3,977,888
	114,665,575	112,327,147

13 Fixed assets (continued)

(a) Right-of-use assets (continued)

	2024 $	*2023* $
Interest on lease liabilities (note 9)	5,697,503	6,405,564
Expense relating to short-term leases and other leases (note 9)	-	11,922,770

During the year, additions to right-of-use assets of the group were $78,298,994 (2023: $107,603,375) which is primarily related to the capitalised lease payments payable under new tenancy agreements and equipment lease agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(b) and 23 respectively.

14 Statutory deposits

	2024 $	*2023* $
Statutory deposits	1,573,497	1,557,791

The group has deposited in the name of the Director of Accounting Services with a bank a sum of $1,573,497 (2023: $1,557,791) pursuant to section 77(2)(e) of the Hong Kong Trustee Ordinance.

All of the statutory deposits are expected to be recovered after more than one year.

15 Investments in subsidiaries

The following shows the carrying amount of investment in subsidiaries on the company level statement of financial position.

	2024 $	*2023* $
Unlisted shares, at cost	172,019,062	172,019,062
Less: Impairment losses	(12,079,989)	(12,079,989)
	159,939,073	159,939,073

During the financial year, the company assessed the impairment of investments in subsidiaries. As a result of this, an accumulated impairment loss of $12,079,989 (2023: $12,079,989) was provided.

15 Investments in subsidiaries (continued)

The following list contains the details of the company's subsidiaries as at which principally affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

Name of company	*Place of incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest held by the company*	*Principal activities*
Protective Capital (International) Limited	Hong Kong	78,610,000 shares	100%	Provision of general services
YF Life Services Limited	Hong Kong	2 shares	100%	Provision of general services
YF Life Guardian Limited	Hong Kong	2 shares	100%	Provision of general services
YF Life Trustees Limited	Hong Kong	73,000,000 shares	100%	Provision of trustee services
YF Life Consultants Limited	Hong Kong	50,000 shares	100%	Provision of general services
YF Life Investors Limited	Hong Kong	5,000,000 shares	100%	Provision of general services

16 Intangible asset

	Club membership $
At 1 January 2023	-
Additions	15,000,000
Exchange alignment	24,135
At 31 December 2023 and 1 January 2024	15,024,135
Additions	-
Exchange alignment	(94,193)
At 31 December 2024	14,929,942

The group has one (2023: one) club membership with indefinite useful life.

17 Other contract asset

	2024 $	*2023* $
At 1 January	455,953,163	451,762,026
Amounts deferred	15,462,763	16,750,955
Amortisation and other movements	(11,865,462)	(12,694,626)
Exchange alignment	(2,887,365)	134,808
At 31 December	456,663,099	455,953,163

18 Investments and derivatives

		Underlying items			Others					
		Participating	Unit-linked							
	Note	FVPL $	FVPL $	Sub-total $	AC $	FVOCI $	FVPL $	FV - hedging instrument $	Sub-total $	Total $
At 31 December 2024										
Financial investments										
Debt securities	(b)	4,054,931,971	-	4,054,931,971	30,848,986,684	24,168,520,190	2,079,504,452	-	57,097,011,326	61,151,943,297
Loans and receivables		-	-	-	4,286,560,984	-	-	-	4,286,560,984	4,286,560,984
Unit trusts	(d)	2,917,418,458	5,663,016,930	8,580,435,388	-	-	604,343,464	-	604,343,464	9,184,778,852
Unlisted equity and other securities	(d)	591,030,993	-	591,030,993	-	-	2,348,957,646	-	2,348,957,646	2,939,988,639
		7,563,381,422	5,663,016,930	13,226,398,352	35,135,547,668	24,168,520,190	5,032,805,562	-	64,336,873,420	77,563,271,772
Derivative assets	(a)	1,507,947	-	1,507,947	-	-	128,731,646	-	128,731,646	130,239,593
		7,564,889,369	5,663,016,930	13,227,906,299	35,135,547,668	24,168,520,190	5,161,537,208	-	64,465,605,066	77,693,511,365
Derivative liabilities	(a)	3,265,292	-	3,265,292	-	-	101,724,950	320,791,785	422,516,735	425,782,027

18 Investments and derivatives (continued)

		Underlying items			Others					
		Participating	Unit-linked							
	Note	FVPL $	FVPL $	Sub-total $	AC $	FVOCI $	FVPL $	FV - hedging instrument $	Sub-total $	Total $
At 31 December 2023										
Financial investments										
Debt securities	(b)	1,079,027,677	-	1,079,027,677	28,050,912,549	25,758,601,227	2,132,261,046	-	55,941,774,822	57,020,802,499
Loans and receivables		-	-	-	4,994,892,151	-	-	-	4,994,892,151	4,994,892,151
Unit trusts	(d)	1,785,997,951	5,747,602,809	7,533,600,760	-	-	1,053,762,478	-	1,053,762,478	8,587,363,238
Unlisted equity and other securities	(d)	290,602,063	-	290,602,063	-	-	2,258,141,809	-	2,258,141,809	2,548,743,872
		3,155,627,691	5,747,602,809	8,903,230,500	33,045,804,700	25,758,601,227	5,444,165,333	-	64,248,571,260	73,151,801,760
Derivative assets	(a)	284,699	-	284,699	-	-	149,632,526	70,756,284	220,388,810	220,673,509
		3,155,912,390	5,747,602,809	8,903,515,199	33,045,804,700	25,758,601,227	5,593,797,859	70,756,284	64,468,960,070	73,372,475,269
Derivative liabilities	(a)	-	-	-	-	-	205,720,782	35,268,430	240,989,212	240,989,212

Certain fund and other investments of $20,188,873,617 (2023: $18,717,825,101) have been pledged in favour of Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

18 Investments and derivatives (continued)

a. *Derivatives*

The group uses derivatives to provide economic hedges as part of its assets and liabilities management activities. The following table analyses the group's derivatives by type of instrument.

	2024		*2023*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
	$	$	$	$
Underlying items				
Not designated as hedging instruments				
Forward contracts	1,507,947	-	284,699	-
Other				
Designated as hedging instruments				
Bond forward contracts	-	320,791,785	70,756,284	35,268,430
Not designated as hedging instruments				
Currency swaps	121,965,947	18,352,571	147,924,824	15,416,397
Forward contracts	6,765,699	3,039,549	1,707,702	6,178,206
Collateral	-	83,598,122	-	184,126,179
	128,731,646	425,782,027	220,388,810	240,989,212
	130,239,593	425,782,027	220,673,509	240,989,212

For more information about how the group manages its market risks, see Note 3(d).

b. *Financial assets designated as at FVPL*

Certain debt investments have been designated as at FVPL (see Note 1(g)). At 31 December 2024, the maximum exposure to credit risk of these financial assets was their carrying amount of $3,386,044,372 (2023: $295,980,478), the majority of which is arising from the financial assets rated as investment grade. The credit risk of these financial assets has not been hedged by the use of credit derivatives or similar instruments.

c. *Equity investments designated as at FVOCI*

The group has designated equity investments as at FVOCI because it intends to hold them for the long term in order to match with the long duration of insurance contracts measured under the general measurement model ("GMM"). Dividend income of $Nil was received on these investments during the year (2023: $88,455).

18 Investments and derivatives (continued)

c. *Equity investments designated as at FVOCI (continued)*

	Fair value at 31 December		*Dividend income recognised*	
	2024	2023	2024	2023
	$	$	$	$
Equity securities:				
- Listed in Hong Kong	-	-	-	88,455

During the year ended 31 December 2024, no equity investments designated at FVOCI were disposed (2023: several US and Hong Kong equity investments designated at FVOCI were considered to be no longer aligned with the investment strategy since purchase and were disposed at $79,360,378 with realised loss of $20,787,490).

d. *Interests in collective investment schemes*

(i) Included in financial assets designated at fair value through profit or loss on the consolidated statement of financial position are certain investments in collective investment schemes which have been designed so that voting or similar rights are not the dominant factor in deciding who controls these schemes. These collective investment schemes include investments in unit trusts and limited liability partnerships established by third parties. These schemes provide the group with a variety of investment opportunities through managed investment strategies.

Owing to the passive nature of these investments, the maximum exposure to loss from these interests is limited to the associated equity price risk (see note 3) and the capital commitments. The maximum exposure to loss, which represents the maximum loss that the group could be required to report as a result of its involvement with these collective investment schemes regardless of the probability of the loss being incurred, is equivalent to the carrying amount of these investments (see note 3).

(ii) In addition, the group's subsidiary, YF Life Trustees Limited is the sponsor of Mass Mandatory Provident Fund scheme ('MPF scheme') as specified in the respective trust deeds. Management fee and trustee fee income that the group recognised in profit or loss in return for the administration services provided to MPF Scheme that the group sponsored amounted to $30,335,886 (2023: $40,282,117) for the year.

The policyholders invest directly into such MPF scheme, as such, the group did not transfer any of its own assets into these schemes during the reporting period. Management actively monitor the compliance with the respective regulation requirements in order to minimise losses arising from reputational risk and regulatory compliance risk.

19 Other receivables, deposits and prepayment

	Note	*2024* $	*2023* $
Amount due from the ultimate holding company	(i)	66,439,789	66,439,789
Utility and rental deposits	(ii)	40,583,368	40,584,692
Loans to agents and staff	(iii)	68,571,673	68,757,837
Accrued investment income	(iv)	1,071,081,792	723,507,187
Others	(iv)	262,666,088	115,643,732
		1,509,342,710	1,014,933,237

(i) The amounts due from the ultimate holding company are unsecured, interest free and have no fixed terms of repayment.

(ii) The amount of utility and rental deposits expected to be recovered after more than one year is $39,923,829 (2023: $36,810,724).

(iii) Included in loans to agents and staff are loans to key management personnel of $Nil (2023: $Nil).

(iv) Except for those mentioned above, all of the other receivables are expected to be recovered within one year.

20 Deposits with banks maturing after more than three months and cash and cash equivalents

	2024 $	*2023* $
Deposits with banks maturing after more than three months	993,798,122	1,109,611,001
Deposits with banks and short term investments maturing no more than three months	1,072,880,575	1,939,984,344
Cash at bank and in hand	2,827,061,292	1,260,091,396
Cash and cash equivalents in the consolidated cash flow statement	3,899,941,867	3,200,075,740
	4,893,739,989	4,309,686,741

The group has pledged fixed deposits of $965,904,406 (2023: $907,291,000) to banks in favour of the Autoridade Monetaria de Macau to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

20 Deposits with banks maturing after more than three months and cash and cash equivalents (continued)

(a) Reconciliation to liabilities arising from financing activities for disclosure purpose

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

	Lease liabilities	*Policyholders' deposits and other liabilities*
	$	$
At 1 January 2023	217,949,347	4,793,877,544
Changes from financing cash flows:		
Policyholders' account deposits	-	183,421,230
Policyholders' account withdrawals	-	(403,907,545)
Capital element of lease rentals paid	(120,251,431)	-
Interest element of lease rentals paid	(6,405,564)	-
Total changes from financing cash flows	(126,656,995)	(220,486,315)
Other changes		
Interest credited to policyholders' account balances (note 22)	-	179,053,610
Administrative fees	-	(32,570,725)
Other reserve changes	-	(19,312,118)
Other income		10,869,431
Interest expense	6,405,564	-
Increase in lease liabilities from entering into new lease during the period	107,603,375	-
Exchange alignment	-	(416,647)
Total other changes	114,008,939	137,623,551
At 31 December 2023	205,301,291	4,711,014,780

20 Deposits with banks maturing after more than three months and cash and cash equivalents (continued)

(a) Reconciliation to liabilities arising from financing activities for disclosure purpose (continued)

	Lease liabilities $	*Policyholders' deposits and other liabilities* $
At 1 January 2024	205,301,291	4,711,014,780
Changes from financing cash flows:		
Policyholders' account deposits	-	172,152,511
Policyholders' account withdrawals	-	(347,622,136)
Capital element of lease rentals paid	(118,374,935)	-
Interest element of lease rentals paid	(5,697,503)	-
Total changes from financing cash flows	(124,072,438)	(175,469,625)
Other changes		
Interest credited to policyholders' account balances (note 22)	-	182,838,560
Administrative fees	-	(27,746,865)
Other reserve changes	-	(9,541,909)
Other income	-	7,373,503
Interest expense	5,697,503	-
Increase in lease liabilities from entering into new lease during the period	78,298,994	-
Exchange alignment	-	(3,923,082)
Total other changes	83,996,497	149,000,207
At 31 December 2024	165,225,350	4,684,545,362

(b) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2024 $	*2023* $
Within operating cash flows	-	11,922,770
Within financing cash flows	124,072,438	126,656,995
	124,072,438	138,579,765

21 Insurance and reinsurance contracts

	Note	2024 $	2023 $
Insurance contracts			
Insurance contract liabilities			
- Insurance contract balances	21(a)(i)	69,620,983,524	63,579,853,198
- Assets for insurance acquisition cash flows	21(b)	(3,055,682)	(2,408,769)
		69,617,927,842	63,577,444,429
Reinsurance contracts			
Reinsurance contract assets	21(a)(ii)	(6,790,716,168)	(6,517,665,664)

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

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the consolidated statement of profit or loss and other comprehensive income. The group presents a table separately analysing movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of profit or loss and other comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

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

21 Insurance and reinsurance contracts (continued)

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

(i) *Insurance contracts*

Analysis by remaining coverage and incurred claims

		2024					
		Liabilities for remaining coverage		*Liabilities for incurred claims*			
					Contracts under PAA		
	Note	*Excluding loss component* $	*Loss component* $	*Contracts not under PAA* $	*Estimates of present value of future cash flows* $	*Risk adjustment for non-financial risk* $	*Total* $
Balance as at 1 January							
Opening assets		-	-	-	-	-	-
Opening liabilities		62,642,953,235	373,287,352	531,574,958	31,452,874	584,779	63,579,853,198
Net opening balance		62,642,953,235	373,287,352	531,574,958	31,452,874	584,779	63,579,853,198
Changes in the statement of profit or loss and OCI:							
Insurance revenue							
Contracts under the fair value transition approach		(1,903,751,875)	-	-	-	-	(1,903,751,875)
Other contracts		(897,002,021)	-	-	-	-	(897,002,021)
	5	(2,800,753,896)	-	-	-	-	(2,800,753,896)
Insurance service expenses							
Incurred claims and other insurance service expenses		-	(137,138,981)	997,542,943	246,231,019	47,315	1,106,682,296
Amortisation of insurance acquisition cash flows	9	869,056,857	-	-	-	-	869,056,857
Losses and reversals of losses on onerous contracts	9	-	14,044,676	-	-	-	14,044,676
Adjustments to liabilities for incurred claims		-	-	100,076,632	18,380,537	-	118,457,169
	9	869,056,857	(123,094,305)	1,097,619,575	264,611,556	47,315	2,108,240,998
Investment components and premium refunds		(4,978,997,578)	-	4,978,997,578	-	-	-
Insurance service result		(6,910,694,617)	(123,094,305)	6,076,617,153	264,611,556	47,315	(692,512,898)
Net finance expenses from insurance contracts	6	3,139,458,887	6,232,540	802,420	118,651	-	3,146,612,498
Effect of movements in exchange rates		(425,251,963)	(816,288)	(389,211)	(119,837)	(4,281)	(426,581,580)
Total changes in the statement of profit or loss and OCI		(4,196,487,693)	(117,678,053)	6,077,030,362	264,610,370	43,034	2,027,518,020
Cash flows							
Premiums received		12,382,374,656	-	-	-	-	12,382,374,656
Claims and other insurance service expenses paid, including investment components		-	-	(7,261,294,387)	(260,906,030)	-	(7,522,200,417)
Insurance acquisition cash flows		(2,140,730,887)	-	-	-	-	(2,140,730,887)
Other amounts received		-	-	1,294,168,954	-	-	1,294,168,954
Total cash flows		10,241,643,769	-	(5,967,125,433)	(260,906,030)	-	4,013,612,306
Net closing balance as at 31 December		68,688,109,311	255,609,299	641,479,887	35,157,214	627,813	69,620,983,524
Closing assets		-	-	-	-	-	-
Closing liabilities		68,688,109,311	255,609,299	641,479,887	35,157,214	627,813	69,620,983,524
Net closing balance		68,688,109,311	255,609,299	641,479,887	35,157,214	627,813	69,620,983,524

21 Insurance and reinsurance contracts (continued)

(a) Movements in insurance and reinsurance contract balances (continued)

(i) Insurance contracts (continued)

Analysis by remaining coverage and incurred claims (continued)

		2023					
		Liabilities for remaining coverage		Liabilities for incurred claims			
					Contracts under PAA		
	Note	Excluding loss component $	Loss component $	Contracts not under PAA $	Estimates of present value of future cash flows $	Risk adjustment for non-financial risk $	Total $
Balance as at 1 January							
Opening assets		-	-	-	-	-	-
Opening liabilities		54,088,413,849	544,472,610	405,634,509	16,578,029	520,285	55,055,619,282
Net opening balance		54,088,413,849	544,472,610	405,634,509	16,578,029	520,285	55,055,619,282
Changes in the statement of profit or loss and OCI:							
Insurance revenue							
Contracts under the fair value transition approach		(1,917,891,598)	-	-	-	-	(1,917,891,598)
Other contracts		(708,850,008)	-	-	-	-	(708,850,008)
	5	(2,626,741,606)	-	-	-	-	(2,626,741,606)
Insurance service expenses							
Incurred claims and other insurance service expenses		-	(128,466,261)	1,051,023,705	241,693,318	63,591	1,164,314,353
Amortisation of insurance acquisition cash flows	9	810,972,461	-	-	-	-	810,972,461
Losses and reversals of losses on onerous contracts	9	-	(50,016,701)	-	-	-	(50,016,701)
Adjustments to liabilities for incurred claims		-	-	110,791,866	17,945,677	-	128,737,543
	9	810,972,461	(178,482,962)	1,161,815,571	259,638,995	63,591	2,054,007,656
Investment components and premium refunds		(2,865,096,431)	-	2,865,151,283	(54,852)	-	-
Insurance service result		(4,680,865,576)	(178,482,962)	4,026,966,854	259,584,143	63,591	(572,733,950)
Net finance expenses from insurance contracts	6	4,326,917,400	8,247,925	1,482,787	(42,249)	-	4,336,605,863
Effect of movements in exchange rates		84,455,375	(950,221)	(835,376)	31,131	903	82,701,812
Total changes in the statement of profit or loss and OCI		(269,492,801)	(171,185,258)	4,027,614,265	259,573,025	64,494	3,846,573,725
Cash flows							
Premiums received		11,845,898,212	-	-	-	-	11,845,898,212
Claims and other insurance service expenses paid, including investment components		-	-	(3,820,175,764)	(244,698,180)	-	(4,064,873,944)
Insurance acquisition cash flows		(3,021,866,025)	-	-	-	-	(3,021,866,025)
Other amounts paid		-	-	(81,498,052)	-	-	(81,498,052)
Total cash flows		8,824,032,187	-	(3,901,673,816)	(244,698,180)	-	4,677,660,191
Net closing balance as at 31 December		62,642,953,235	373,287,352	531,574,958	31,452,874	584,779	63,579,853,198
Closing assets		-	-	-	-	-	-
Closing liabilities		62,642,953,235	373,287,352	531,574,958	31,452,874	584,779	63,579,853,198
Net closing balance		62,642,953,235	373,287,352	531,574,958	31,452,874	584,779	63,579,853,198

21 Insurance and reinsurance contracts (continued)

(a) Movements in insurance and reinsurance contract balances (continued)

(i) Insurance contracts (continued)

Analysis by measurement component - Contracts not measured under the PAA

		2024				
				CSM		
	Note	Estimates of present value of future cash flows $	Risk adjustment for non-financial risk $	Contracts under fair value transition approach $	Other contracts $	Total $
Balance as at 1 January						
Opening assets		-	-	-	-	-
Opening liabilities		53,686,314,074	1,688,581,017	6,193,932,885	1,905,828,298	63,474,656,274
Net opening balance		53,686,314,074	1,688,581,017	6,193,932,885	1,905,828,298	63,474,656,274
Changes in the statement of profit or loss and OCI:						
Change that relate to current services						
CSM recognised for services provided	5	-	-	(555,598,556)	(137,048,697)	(692,647,253)
Change in risk adjustment for non-financial risk or risk expired		-	30,422,618	-	-	30,422,618
Experience adjustments		(103,899,097)	-	-	-	(103,899,097)
Changes that relate to future services						
Contracts initially recognised in the year	21(c)	(836,087,246)	92,482,466	-	765,772,572	22,167,792
Changes in estimates that adjust the CSM		(429,161,373)	(362,237,268)	1,210,794,188	(419,395,547)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts		(26,166,012)	18,042,895	-	-	(8,123,117)
Changes that relate to past services						
Adjustments to liabilities for incurred claims		100,076,633	-	-	-	100,076,633
Adjustments to liabilities for remaining coverage		(9,947,306)	-	-	-	(9,947,306)
Insurance service result		(1,305,184,401)	(221,289,289)	655,195,632	209,328,328	(661,949,730)
Net finance expenses from insurance contracts		2,927,955,567	-	171,927,162	46,316,352	3,146,199,081
Effect of movements in exchange rates		(355,599,786)	(10,524,996)	(45,609,279)	(14,421,285)	(426,155,346)
Total changes in the statement of profit or loss and OCI		1,267,171,380	(231,814,285)	781,513,515	241,223,395	2,058,094,005
Cash flows						
Premiums received		12,023,935,953	-	-	-	12,023,935,953
Claims and other insurance service expenses paid, including investment components		(7,261,294,387)	-	-	-	(7,261,294,387)
Insurance acquisition cash flows		(2,082,439,830)	-	-	-	(2,082,439,830)
Other amounts received		1,294,168,954	-	-	-	1,294,168,954
Total cash flows		3,974,370,690	-	-	-	3,974,370,690
Net closing balance as at 31 December		58,927,856,144	1,456,766,732	6,975,446,400	2,147,051,693	69,507,120,969
Closing assets		-	-	-	-	-
Closing liabilities		58,927,856,144	1,456,766,732	6,975,446,400	2,147,051,693	69,507,120,969
Net closing balance		58,927,856,144	1,456,766,732	6,975,446,400	2,147,051,693	69,507,120,969

21 Insurance and reinsurance contracts (continued)

(a) Movements in insurance and reinsurance contract balances (continued)

(i) Insurance contracts (continued)

Analysis by measurement component - Contracts not measured under the PAA (continued)

		2023				
				CSM		
	Note	Estimates of present value of future cash flows $	Risk adjustment for non-financial risk $	Contracts under fair value transition approach $	Other contracts $	Total $
Balance as at 1 January						
Opening assets		-	-	-	-	-
Opening liabilities		44,883,106,972	1,484,855,270	7,705,480,476	930,067,065	55,003,509,783
Net opening balance		44,883,106,972	1,484,855,270	7,705,480,476	930,067,065	55,003,509,783
Changes in the statement of profit or loss and OCI:						
Change that relate to current services						
CSM recognised for services provided	5	-	-	(592,406,770)	(121,087,634)	(713,494,404)
Change in risk adjustment for non-financial risk or risk expired		-	21,731,297	-	-	21,731,297
Experience adjustments		56,616,448	-	-	-	56,616,448
Changes that relate to future services						
Contracts initially recognised in the year	21(c)	(1,096,725,819)	112,285,163	-	1,041,667,711	57,227,055
Changes in estimates that adjust the CSM		924,980,173	50,020,351	(988,562,936)	13,562,412	-
Changes in estimates that result in losses and reversals of losses on onerous contracts		(49,673,402)	15,690,963	(73,261,317)	-	(107,243,756)
Changes that relate to past services						
Adjustments to liabilities for incurred claims		110,791,866	-	-	-	110,791,866
Adjustments to liabilities for remaining coverage		(6,599,994)	-	-	-	(6,599,994)
Insurance service result		(60,610,728)	199,727,774	(1,654,231,023)	934,142,489	(580,971,488)
Net finance expenses from insurance contracts		4,162,575,779	516,519	130,677,204	42,988,168	4,336,757,670
Effect of movements in exchange rates		68,437,619	3,481,454	12,006,228	(1,369,424)	82,555,877
Total changes in the statement of profit or loss and OCI		4,170,402,670	203,725,747	(1,511,547,591)	975,761,233	3,838,342,059
Cash flows						
Premiums received		11,486,310,344	-	-	-	11,486,310,344
Claims and other insurance service expenses paid, including investment components		(3,820,175,764)	-	-	-	(3,820,175,764)
Insurance acquisition cash flows		(2,951,832,096)	-	-	-	(2,951,832,096)
Other amounts paid		(81,498,052)	-	-	-	(81,498,052)
Total cash flows		4,632,804,432	-	-	-	4,632,804,432
Net closing balance as at 31 December		53,686,314,074	1,688,581,017	6,193,932,885	1,905,828,298	63,474,656,274
Closing assets		-	-	-	-	-
Closing liabilities		53,686,314,074	1,688,581,017	6,193,932,885	1,905,828,298	63,474,656,274
Net closing balance		53,686,314,074	1,688,581,017	6,193,932,885	1,905,828,298	63,474,656,274

21 Insurance and reinsurance contracts (continued)

(a) Movements in insurance and reinsurance contract balances (continued)

(ii) Reinsurance contracts

Analysis by remaining coverage and incurred claims

		2024				
		Assets for remaining coverage		*Assets for incurred claims*		
	Note	*Excluding loss recovery component* $	*Loss-recovery component* $	*Contracts not under PAA* $	*Contracts under PAA* $	*Total* $
Balance as at 1 January						
Opening assets		5,747,747,348	181,666,893	563,114,593	25,136,830	6,517,665,664
Opening liabilities		-	-	-	-	-
Net opening balance		5,747,747,348	181,666,893	563,114,593	25,136,830	6,517,665,664
Changes in the statement of profit or loss and OCI:						
Allocation of reinsurance premium paid		(214,459,392)	-	-	-	(214,459,392)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses		-	(101,119,380)	161,802,808	11,016,211	71,699,639
Recoveries and reversals of recoveries of losses on onerous underlying contracts		-	(5,809,184)	-	-	(5,809,184)
Adjustments to assets for incurred claims		-	-	79,741,078	4,623,655	84,364,733
		-	(106,928,564)	241,543,886	15,639,866	150,255,188
Investment components and premium refunds		(1,437,930,314)	-	1,437,626,072	304,242	-
Effect of changes in non-performance risk of reinsurers		4,835,665	-	-	-	4,835,665
Net expenses from reinsurance contracts		(1,647,554,041)	(106,928,564)	1,679,169,958	15,944,108	(59,368,539)
Net finance incomes from reinsurance contracts	6	423,135,445	4,252,826	411,010	18,224	427,817,505
Effect of movement in exchange rates		(46,124,185)	(466,493)	(1,677,975)	(20,213)	(48,288,866)
Total changes in the statement of profit or loss and OCI		(1,270,542,781)	(103,142,231)	1,677,902,993	15,942,119	320,160,100
Cash flows						
Premiums paid		1,816,281,982	-	-	-	1,816,281,982
Amounts received		-	-	(2,613,451,738)	(2,505,899)	(2,615,957,637)
Other amounts (received)/paid		(28,473,149)	-	781,039,208	-	752,566,059
Total cash flows		1,787,808,833	-	(1,832,412,530)	(2,505,899)	(47,109,596)
Net closing balance as at 31 December		6,265,013,400	78,524,662	408,605,056	38,573,050	6,790,716,168
Closing assets		6,265,013,400	78,524,662	408,605,056	38,573,050	6,790,716,168
Closing liabilities		-	-	-	-	-
Net closing balance		6,265,013,400	78,524,662	408,605,056	38,573,050	6,790,716,168

21 Insurance and reinsurance contracts (continued)

(a) Movements in insurance and reinsurance contract balances (continued)

(ii) Reinsurance contracts (continued)

Analysis by remaining coverage and incurred claims (continued)

		2023				
		Assets for remaining coverage		*Assets for incurred claims*		
	Note	*Excluding loss recovery component* $	*Loss-recovery component* $	*Contracts not under PAA* $	*Contracts under PAA* $	*Total* $
Balance as at 1 January						
Opening assets		5,563,922,101	336,586,569	518,183,350	13,478,054	6,432,170,074
Opening liabilities		-	-	-	-	-
Net opening balance		5,563,922,101	336,586,569	518,183,350	13,478,054	6,432,170,074
Changes in the statement of profit or loss and OCI:						
Allocation of reinsurance premium paid		(240,365,711)	-	-	-	(240,365,711)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses		-	(163,378,561)	324,924,028	13,474,082	175,019,549
Recoveries and reversals of recoveries of losses on onerous underlying contracts		-	3,968,727	-	-	3,968,727
Adjustments to assets for incurred claims		-	-	27,170,919	2,578,897	29,749,816
		-	(159,409,834)	352,094,947	16,052,979	208,738,092
Investment components and premium refunds		(1,707,038,985)	-	1,706,962,096	76,889	-
Effect of changes in non-performance risk of reinsurers		5,370,768	-	-	-	5,370,768
Net expenses from reinsurance contracts		(1,942,033,928)	(159,409,834)	2,059,057,043	16,129,868	(26,256,851)
Net finance incomes from reinsurance contracts	6	190,664,639	3,741,050	1,858,420	15,259	196,279,368
Effect of movement in exchange rates		11,538,521	749,108	(3,372,350)	(18,120)	8,897,159
Total changes in the statement of profit or loss and OCI		(1,739,830,768)	(154,919,676)	2,057,543,113	16,127,007	178,919,676
Cash flows						
Premiums paid		1,919,615,219	-	-	-	1,919,615,219
Amounts received		-	-	(1,031,334,901)	(4,468,231)	(1,035,803,132)
Other amounts paid/(received)		4,040,796	-	(981,276,969)	-	(977,236,173)
Total cash flows		1,923,656,015	-	(2,012,611,870)	(4,468,231)	(93,424,086)
Net closing balance as at 31 December		5,747,747,348	181,666,893	563,114,593	25,136,830	6,517,665,664
Closing assets		5,747,747,348	181,666,893	563,114,593	25,136,830	6,517,665,664
Closing liabilities		-	-	-	-	-
Net closing balance		5,747,747,348	181,666,893	563,114,593	25,136,830	6,517,665,664

21 Insurance and reinsurance contracts (continued)

(a) Movements in insurance and reinsurance contract balances (continued)

(ii) Reinsurance contracts (continued)

Analysis by measurement component - Contracts not measured under the PAA

		2024				
				CSM		
	Note	Estimates of present value of future cash flows $	Risk adjustment for non-financial risk $	Contracts under fair value transition approach $	Other contracts $	Total $
Balance as at 1 January						
Opening assets		5,499,772,167	119,478,944	862,595,915	13,572,153	6,495,419,179
Opening liabilities		-	-	-	-	-
Net opening balance		5,499,772,167	119,478,944	862,595,915	13,572,153	6,495,419,179
Changes in the statement of profit or loss and OCI:						
Change that relate to current services						
CSM recognised for services provided		-	-	(20,759,364)	(8,429,441)	(29,188,805)
Change in risk adjustment for non-financial risk or risk expired		-	993,922	-	-	993,922
Experience adjustments		(118,664,814)	-	-	-	(118,664,814)
Changes that relate to future services						
Contracts initially recognised in the year	21(c)	(36,459,140)	8,634,379	-	33,798,308	5,973,547
Changes in estimates that adjust the CSM		(53,685,351)	36,542,129	(8,150,885)	25,294,107	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts		(11,909,859)	127,129	-	-	(11,782,730)
Changes that relate to past services						
Adjustments to assets for incurred claims		79,741,078	-	-	-	79,741,078
Effect of changes in non-performance risk of reinsurance		4,835,665	-	-	-	4,835,665
Net expenses from reinsurance contracts		(136,142,421)	46,297,559	(28,910,249)	50,662,974	(68,092,137)
Net finance income from reinsurance contracts		412,087,953	-	15,094,745	638,122	427,820,820
Effect of movements in exchange rates		(37,551,069)	(796,419)	(7,760,879)	(2,183,898)	(48,292,265)
Total changes in the statement of profit or loss and OCI		238,394,463	45,501,140	(21,576,383)	49,117,198	311,436,418
Cash flows						
Premiums paid		1,809,421,474	-	-	-	1,809,421,474
Amounts received		(2,613,451,738)	-	-	-	(2,613,451,738)
Other amounts received		752,566,059	-	-	-	752,566,059
Total cash flows		(51,464,205)	-	-	-	(51,464,205)
Net closing balance as at 31 December		5,686,702,425	164,980,084	841,019,532	62,689,351	6,755,391,392
Closing assets		5,686,702,425	164,980,084	841,019,532	62,689,351	6,755,391,392
Closing liabilities		-	-	-	-	-
Net closing balance		5,686,702,425	164,980,084	841,019,532	62,689,351	6,755,391,392

21 Insurance and reinsurance contracts (continued)

(a) Movements in insurance and reinsurance contract balances (continued)

(ii) Reinsurance contracts (continued)

Analysis by measurement component - Contracts not measured under the PAA (continued)

		2023				
				CSM		
	Note	Estimates of present value of future cash flows $	Risk adjustment for non-financial risk $	Contracts under fair value transition approach $	Other contracts $	Total $
Balance as at 1 January						
Opening assets		5,012,071,463	80,044,866	1,300,861,100	31,126,920	6,424,104,349
Opening liabilities		-	-	-	-	-
Net opening balance		5,012,071,463	80,044,866	1,300,861,100	31,126,920	6,424,104,349
Changes in the statement of profit or loss and OCI:						
Change that relate to current services						
CSM recognised for services provided		-	-	(82,921,967)	(8,420,977)	(91,342,944)
Change in risk adjustment for non-financial risk or risk expired		-	497,357	-	-	497,357
Experience adjustments		18,581,108	-	-	-	18,581,108
Changes that relate to future services						
Contracts initially recognised in the year	21(c)	(16,515,011)	7,327,249	-	10,713,009	1,525,247
Changes in estimates that adjust the CSM		361,092,010	31,051,093	(371,650,276)	(20,492,827)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts		2,412,841	30,637	-	-	2,443,478
Changes that relate to past services						
Adjustments to assets for incurred claims		27,170,921	-	-	-	27,170,921
Effect of changes in non-performance risk of reinsurance		5,370,768	-	-	-	5,370,768
Net expenses from reinsurance contracts		398,112,637	38,906,336	(454,572,243)	(18,200,795)	(35,754,065)
Net finance income from reinsurance contracts		180,728,216	39,027	14,849,406	633,681	196,250,330
Effect of movements in exchange rates		6,971,045	488,715	1,457,652	12,347	8,929,759
Total changes in the statement of profit or loss and OCI		585,811,898	39,434,078	(438,265,185)	(17,554,767)	169,426,024
Cash flows						
Premiums paid		1,910,459,880	-	-	-	1,910,459,880
Amounts received		(1,031,334,901)	-	-	-	(1,031,334,901)
Other amounts received		(977,236,173)	-	-	-	(977,236,173)
Total cash flows		(98,111,194)	-	-	-	(98,111,194)
Net closing balance as at 31 December		5,499,772,167	119,478,944	862,595,915	13,572,153	6,495,419,179
Closing assets		5,499,772,167	119,478,944	862,595,915	13,572,153	6,495,419,179
Closing liabilities		-	-	-	-	-
Net closing balance		5,499,772,167	119,478,944	862,595,915	13,572,153	6,495,419,179

21 Insurance and reinsurance contracts (continued)

(b) Assets for insurance acquisition cash flows

The following table shows the reconciliation from the opening to the closing balance for assets for insurance acquisition cash flows.

	$
Balance as at 1 January 2023	1,410,810
Amounts incurred during the year	2,879,971,565
Amounts derecognised and included in the measurement of insurance contracts (note 9)	(2,878,973,606)
Balance as at 31 December 2023	2,408,769
Balance as at 1 January 2024	2,408,769
Amounts incurred during the year	2,153,259,984
Amounts derecognised and included in the measurement of insurance contracts (note 9)	(2,152,613,071)
Balance as at 31 December 2024	3,055,682

The following table sets out when the group expects to derecognise assets for insurance acquisition cash flows after the reporting date.

	As at 31 December 2024 $	*As at 31 December 2023* $
One year or less	219,762	115,162
Two to five years	647,123	557,281
Five to ten years	643,751	512,924
More than ten years	1,545,046	1,223,402
	3,055,682	2,408,769

21 Insurance and reinsurance contracts (continued)

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

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

(i) Insurance contracts

	Profitable contracts issued $	*Onerous contracts issued* $	*Total* $
Year ended 31 December 2024			
Claims and other insurance service expense payable	7,178,588,191	1,130,042,044	8,308,630,235
Insurance acquisition cash flows	1,916,086,910	179,403,835	2,095,490,745
Estimate of present value of cash outflows	9,094,675,101	1,309,445,879	10,404,120,980
Estimates of present value of cash inflows	(9,944,835,073)	(1,295,373,153)	(11,240,208,226)
Risk adjustment for non-financial risk	84,387,400	8,095,066	92,482,466
CSM	765,772,572	-	765,772,572
Losses recognised on initial recognition	-	22,167,792	22,167,792
Year ended 31 December 2023			
Claims and other insurance service expense payable	7,964,135,064	1,670,473,259	9,634,608,323
Insurance acquisition cash flows	2,568,478,705	551,603,252	3,120,081,957
Estimate of present value of cash outflows	10,532,613,769	2,222,076,511	12,754,690,280
Estimates of present value of cash inflows	(11,671,568,686)	(2,179,847,413)	(13,851,416,099)
Risk adjustment for non-financial risk	97,287,206	14,997,957	112,285,163
CSM	1,041,667,711	-	1,041,667,711
Losses recognised on initial recognition	-	57,227,055	57,227,055

21 Insurance and reinsurance contracts (continued)

(c) Effect of contracts initially recognised in the year (continued)

(ii) Reinsurance contracts

	Reinsurance contracts held $
Balance as at 31 December 2024	
Estimates of present value of cash inflows	2,552,710,518
Estimates of present value of cash outflows	(2,589,169,658)
Risk adjustment for non-financial risk	8,634,379
Income recognised on initial recognition	(5,973,547)
CSM	(33,798,308)
Balance as at 31 December 2023	
Estimates of present value of cash inflows	652,086,481
Estimates of present value of cash outflows	(668,601,492)
Risk adjustment for non-financial risk	7,327,249
Income recognised on initial recognition	(1,525,247)
CSM	(10,713,009)

(d) Contractual service margin

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

	31 December 2024				
	1 year or less $	*2 to 5 years* $	*5 to 10 years* $	*More than 10 years* $	*Total* $
Insurance contracts	741,816,554	2,437,909,268	2,023,749,388	3,919,022,883	9,122,498,093
Reinsurance contracts	(62,788,881)	(290,411,919)	(221,208,620)	(329,299,463)	(903,708,883)

	31 December 2023				
	1 year or less $	*2 to 5 years* $	*5 to 10 years* $	*More than 10 years* $	*Total* $
Insurance contracts	683,852,905	2,228,971,557	1,841,387,730	3,345,548,991	8,099,761,183
Reinsurance contracts	(41,789,193)	(300,921,777)	(243,075,068)	(290,382,030)	(876,168,068)

21 Insurance and reinsurance contracts (continued)

(e) *Significant judgements and estimates*

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

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

The group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are insurance contracts with significant financial options and guarantees, then the group uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables.

Estimates of future cash flows

In estimating future cash flows, the group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

To determine how to identify a change in discretionary cash flows, the group generally regards its commitment to be the return implicit in the estimate of the fulfilment cash flows at inception of the contract, updated to reflect current financial risk assumptions.

21 Insurance and reinsurance contracts (continued)

(e) Significant judgements and estimates (continued)

(i) Fulfilment cash flows (continued)

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- costs that the group will incur in providing investment services; and
- costs that the group will incur in performing investment activities to the extent that the group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred.

Methodology and assumptions

(1) Mortality

Prudent mortality tables and industry mortality tables with margins are used. They are compared with the group's internal mortality experience on a regular basis to ensure their appropriateness.

(2) Morbidity

Morbidity is based on the reinsurer's risk premiums which are relevant to its market experience. It is compared with the group's internal morbidity experience on a regular basis to ensure its appropriateness.

(3) Withdrawal

Withdrawal rates are determined with reference to pricing assumptions and actual experience.

21 Insurance and reinsurance contracts (continued)

(e) Significant judgements and estimates (continued)

(i) Fulfilment cash flows (continued)

(4) Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts.

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

As at 31 December 2024	*1 year*	*5 years*	*10 years*	*15 years*	*20 years*
USD	4.11% - 4.85%	4.34% - 5.08%	4.55% - 5.29%	4.77% - 5.51%	4.90% - 5.64%
HKD	3.88% - 4.62%	3.60% - 4.34%	3.65% - 4.39%	3.72% - 4.46%	3.75% - 4.49%

As at 31 December 2023	*1 year*	*5 years*	*10 years*	*15 years*	*20 years*
USD	4.70% - 5.54%	3.79% - 4.63%	3.83% - 4.67%	3.93% - 4.78%	4.27% - 5.11%
HKD	4.28% - 5.12%	3.27% - 4.11%	3.29% - 4.13%	3.41% - 4.25%	3.47% - 4.31%

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

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the group would require for bearing non-financial risk.

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

To determine the risk adjustments for non-financial risk for reinsurance contracts, the group applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

(ii) Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

21 Insurance and reinsurance contracts (continued)

(e) Significant judgements and estimates (continued)

(iii) Investment components

The group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring, i.e. surrender value in general. Investment components are excluded from insurance revenue and insurance service expenses.

(iv) Fair value of insurance contracts

The group applied the fair value approach on transition to HKFRS 17. Actuarial appraisal method is selected as the underlying methodology.

The cash flows considered in the fair value measurement are consistent with those that were within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts are not considered in determining the fair value of those contracts if they are outside the contract boundary.

The group's approach to measuring fair value differs from the HKFRS 17 requirements for measuring fulfilment cash flows in certain respects. These differences gave rise to a CSM at the date of transition. In particular, in measuring fair value the group:

- considers the cash flows included in the measurement of fulfilment cash flows but adjusts them to reflect the perspective of market participants. For example, expense cash flows are increased to cover a reasonable level of general overheads that are not directly attributable to fulfilling the insurance contracts but that a market participant acquiring the contracts would expect to bear; and

- includes a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the insurance contracts.

(v) Underlying items of contracts with direct participating features

See note 18 for the composition and the fair value of underlying items of the group's participating contracts at the reporting date.

22 Investment contract liabilities

	Note	2024 $	2023 $
Policyholders' deposits	(i)	4,467,913,936	4,505,380,762
Future policyholders' benefits	(ii)	89,846,352	82,833,539
Unearned revenue liability	(iii)	538,708,456	533,934,623
		5,096,468,744	5,122,148,924

Notes:

(i) Policyholders' deposits

Analysis of movement in policyholders' deposits:

	2024 $	2023 $
At 1 January	4,505,380,762	4,609,596,929
Contributions received during the year	100,684,951	120,512,176
Net fee and charges deducted from account balances (note 7)	(21,043,912)	(26,208,920)
Interest credited to account balances	182,838,560	179,053,610
Redemptions due for payment in current year	(287,507,463)	(351,335,610)
Other movements	(8,515,880)	(25,820,776)
Exchange alignment	(3,923,082)	(416,647)
At 31 December	4,467,913,936	4,505,380,762

22 Investment contract liabilities (continued)

(ii) Future policyholders' benefits

Analysis of movement in future policyholders' benefits:

	2024	2023
	$	$
At 1 January	82,833,539	70,968,300
Movement during the year	7,086,482	11,862,597
Exchange alignment	(73,669)	2,642
At 31 December	89,846,352	82,833,539

(iii) Unearned revenue liability

Analysis of movement in unearned revenue liability:

	2024	2023
	$	$
At 1 January	533,934,623	524,822,566
Amount deferred	18,625,432	23,296,640
Amortisation and other adjustments for the year	(13,384,830)	(14,151,249)
	5,240,602	9,145,391
Exchange alignment	(466,769)	(33,334)
At 31 December	538,708,456	533,934,623

(iv) The amount of investment contract liabilities expected to be settled after more than one year is $4,844,825,441 (2023: $4,871,803,487). The fair value of these liabilities is the amount payable on demand, and changes in the credit risk of these liabilities have not had any material impact on their fair value.

23 Lease liabilities

The following table shows the remaining contractual maturities of the group's lease liabilities at the end of the current and previous reporting period:

	2024		2023	
	Present value of the lease payments $	Total lease payments $	Present value of the lease payments $	Total lease payments $
Within 1 year	88,805,769	93,756,692	111,857,372	116,106,046
After 1 year but within 2 years	51,530,546	53,734,093	63,509,499	65,118,704
After 2 years but within 5 years	24,889,035	25,435,782	29,934,420	30,358,591
	76,419,581	79,169,875	93,443,919	95,477,295
	165,225,350	172,926,567	205,301,291	211,583,341
Less: total future interest expenses		7,701,217		6,282,050
Present value of lease liabilities		165,225,350		205,301,291

24 Other liabilities

	Note	2024 $	2023 $
Payables and accrued expenses		405,299,403	387,021,289
Other liabilities	(i)	230,224,859	219,511,046
	(ii)	635,524,262	606,532,335

Notes:

(i) Other liabilities represented policyholders' deposits of $216,631,426 (2023: $205,634,018) and future policyholders' benefits of $13,593,433 (2023: $13,877,028) relating to other business.

(ii) All of other liabilities and payables are expected to be settled within one year or on demand.

25 Income tax in the statement of financial position

(a) *Tax payable in the statement of financial position represents:*

	2024 $	*2023* $
Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax for the year	68,773,524	58,543,005
Provisional Profits Tax paid	(44,131,336)	(46,098,812)
	24,642,188	12,444,193
Balance of Profits Tax provision relating to prior years	(21,332)	(86,688)
	24,620,856	12,357,505
Macau Complementary Tax		
Provision for Macau Complementary Tax for the year	7,838,115	54,928,178
Balance of provision for Macau Complementary Tax relating to prior years	612,316	259,152
	8,450,431	55,187,330
	33,071,287	67,544,835
Amount of tax payable expected to be settled within one year	33,071,287	67,544,835

(b) *Deferred tax assets/(liabilities) recognised:*

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:

	Note	*Different reporting basis in foreign jurisdictions* $	*Expected credit loss* $	*Revaluation of investments* $	*Total* $
At 1 January 2023 - Net		(310,621,298)	4,191,054	31,848,455	(274,581,789)
Charged to profit or loss	10(a)	2,534,483	3,208,535	-	5,743,018
Charged to reserves	10(b)	79,196,102	-	34,686,742	113,882,844
At 31 December 2023 and at 1 January 2024 - Net		(228,890,713)	7,399,589	66,535,197	(154,955,927)
Charged to profit or loss	10(a)	(52,647,479)	(3,233,337)	-	(55,880,816)
Charged to reserves	10(b)	29,471,646	-	28,065,686	57,537,332
At 31 December 2024 - Net		(252,066,546)	4,166,252	94,600,883	(153,299,411)

25 Income tax in the statement of financial position (continued)

(b) Deferred tax assets/(liabilities) recognised: (continued)

(i) Movement of each component of deferred tax assets and liabilities (continued)

The group has not recognised deferred tax assets in respect of tax losses of $4,018,434 at 31 December 2024 (2023: $3,877,398) as the directors considered that it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. As at 31 December 2024, all tax losses do not expire under the current tax legislation.

(ii) Reconciliation to the consolidated statement of financial position

	2024 $	*2023* $
Net deferred tax asset in the consolidated statement of financial position	98,767,135	73,934,786
Net deferred tax liability in the consolidated statement of financial position	(252,066,546)	(228,890,713)
	(153,299,411)	(154,955,927)

26 Capital and reserves

Reserve

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income held at the end of the reporting period (see note 1(g)).

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges (see note 1(i)).

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

The insurance and reinsurance finance reserve comprises the cumulative insurance or reinsurance finance income or expenses recognised in other comprehensive income.

26 Capital and reserves (continued)

(a) The company

	Share capital $	*Fair value reserve (recycling)* $	*Fair value reserve (non-recycling)* $	*Hedging reserve* $	*Exchange reserve* $	*Insurance finance reserve* $	*Reinsurance finance reserve* $	*Retained earnings* $	*Total* $
Balance at 1 January 2023	4,540,000,000	(4,650,382,448)	(31,853,078)	-	69,657,086	5,840,403,602	91,351,559	9,940,401,068	15,799,577,789
Change in equity for the year ended 31 December 2023									
Profit for the year	-	-	-	-	-	-	-	963,486,810	963,486,810
Other comprehensive income for the year	-	1,411,050,074	11,065,589	35,430,847	(41,681,892)	(2,017,667,265)	100,151,846	-	(501,650,801)
Transfer from fair value reserve (non-recycling) to retained earnings on disposal	-	-	20,787,489	-	-	-	-	(20,787,489)	-
Balance at 31 December 2023 and 1 January 2024	4,540,000,000	(3,239,332,374)	-	35,430,847	27,975,194	3,822,736,337	191,503,405	10,883,100,389	16,261,413,798
Change in equity for the year ended 31 December 2024									
Profit for the year	-	-	-	-	-	-	-	941,644,796	941,644,796
Other comprehensive income for the year	-	(1,184,578,551)	-	(357,727,924)	(82,164,032)	(19,488,884)	166,492,576	-	(1,477,466,815)
Balance at 31 December 2024	4,540,000,000	(4,423,910,925)	-	(322,297,077)	(54,188,838)	3,803,247,453	357,995,981	11,824,745,185	15,725,591,779

26 Capital and reserves (continued)

(b) Issued share capital

	2024		2023	
	No. of shares	Amount $	No. of shares	Amount $
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	3,716,000,000	4,540,000,000	3,716,000,000	4,540,000,000

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the group and the company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

(c) Capital management

The group's primary objectives when managing capital are to safeguard the group's ability to meet its obligations and continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the group consists of share capital and reserves as shown in the consolidated statement of financial position. In respect of the group's insurance operations in Hong Kong and Macau, the regulators are interested in ensuring that the company maintains an appropriate solvency position to meet its liabilities arising from claims maturities and surrenders from its life insurance contracts. Pursuant to the Hong Kong Insurance Ordinance and the Macau Insurance Ordinance, the company has to meet the requirements on solvency margin. If the company fails to comply with the requirements, the regulators may require the company to submit a plan for the restoration of a sound financial position or a short term financial scheme as appropriate, to the satisfaction of the regulators. The company complied with the solvency margin requirements for the years ended 31 December 2024 and 2023.

27 Commitments

(a) Capital commitments

The group has capital commitments amounted to $1,858,930 (2023: $34,280,118). The amount was not provided for in the financial statements.

(b) Investment commitments

In the normal course of business, the group enters into commitments to purchase certain investments. The group has investment commitments contracted for amounted to $2,951,504,089 (2023: $2,047,128,472). The amount was not provided in the financial statements.

28 Material related party transactions

(a) *Transactions with key management personnel*

The remuneration for key management personnel, including amounts paid to the company's directors disclosed in note 11 to the financial statements, is as follows:

	2024 $	*2023* $
Short term employee benefits	9,040,640	27,802,289
Post employment benefits	670,728	1,549,371
	9,711,368	29,351,660

Total remuneration is included in "staff costs" in note 9 to the financial statements.

(b) *Transactions with other related parties*

During the year, the group entered into the following material related party transactions:

	2024 $	*2023* $
Investment management fee paid (note i)	84,118,833	78,951,215
Policies endorsement fee paid (note ii)	4,160,434	4,343,584
Premium received (note iii)	2,559,867	2,532,980

Notes:

(i) The group incurred an investment management fee to Barings with significant influence over the immediate holding company of the group. The outstanding balance arising from the transaction amounted to $43,049,898 (2023: $39,411,000).

(ii) The group incurred policies endorsement fee to an entity with significant influence over the immediate holding company of the group. The outstanding balance arising from the transaction amounted to $673,815 (2023: $766,994).

(iii) The group received premium from a fellow subsidiary. The outstanding balance arising from the transaction amounted to $2,559,867 (2023: $2,532,980).

29 Company-level statement of financial position at 31 December 2024

	31 December 2024 $	31 December 2023 $
Assets		
Fixed assets	604,705,759	631,432,818
Investments in subsidiaries	159,939,073	159,939,073
Deferred tax asset	98,767,135	73,934,786
Intangible asset	14,929,942	15,024,135
Other contract asset	456,663,099	455,953,163
Investments	77,693,511,365	73,372,475,269
Reinsurance contract assets	6,790,716,168	6,517,665,664
Other receivables, deposits and prepayment	1,468,444,257	1,006,207,240
Fixed bank deposits with original maturity over 3 months	993,798,122	1,109,611,001
Cash and cash equivalents	3,884,905,886	3,186,021,555
Total assets	92,166,380,806	86,528,264,704
Liabilities		
Other liabilities	854,788,469	825,002,976
Financial liabilities at fair value through profit or loss	425,782,027	240,989,212
Tax payable	28,530,049	67,073,361
Insurance contract liabilities	69,617,927,842	63,577,444,429
Investment contract liabilities	5,096,468,744	5,122,148,924
Lease liabilities	165,225,350	205,301,291
Deferred tax liabilities	252,066,546	228,890,713
Total liabilities	76,440,789,027	70,266,850,906
NET ASSETS	15,725,591,779	16,261,413,798

29 Company-level statement of financial position at 31 December 2024 (continued)

	Note	31 December 2024 $	31 December 2023 $
CAPITAL AND RESERVES			
Share capital	26(b)	4,540,000,000	4,540,000,000
Retained earnings	26(a)	11,824,745,185	10,883,100,389
Reserves	26(a)	(639,153,406)	838,313,409
TOTAL EQUITY		15,725,591,779	16,261,413,798

Approved and authorised for issue by the board of directors on 28 MAR 2025

黄欣

Huang Xin
Director

Man Ko Chan
Director

30 Immediate and ultimate controlling party

At 31 December 2024, the directors consider the immediate parent and ultimate controlling party of the group to be Yunfeng Financial International Holdings Limited and Yunfeng Financial Group Limited respectively, both of which are incorporated in Hong Kong. Yunfeng Financial Group Limited produces financial statements available for public use.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates - Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures - Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards - Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The group is in the process of making an assessment of the impact of these developments. It has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

32 Net operating profit after tax

For management decision making and internal performance management purpose, the group refers to the net operating income ("NOI") representing profit generate from core business activities for the year , and is derived from profit after tax under accounting policies same as those applied in preparing the group's consolidated financial statements for the year adjusting for short-term fluctuations in investment returns, short-term fluctuations in discount rate impact applied to the change of fulfilment cash flow of insurance contract liability, short-term fluctuation exchange rate causes the difference between derivative instruction market to market gain/loss and net exchange impact of net asset position denominated in foreign currencies and other items considered either non-recurring in nature and/or considered by management not relevant for evaluation of core business operation result. The net operating income for 2024 amounted to $1,167,000,000 (2023: $1,036,000,000).

33 Events after reporting period

On 7 March 2025, the group announced to enter into an asset-backed hybrid facility/investment agreement ("the AHF/I Agreement") with a related company. Under the AHF/I Agreement, the group agreed to provide the related party with a secured, non-revolving term loan facility in the principal amount of $7.6 billion. The AHF/I Agreement is subject to approval of the shareholders of Yunfeng Financial Group Limited.