

Terminal Bonus Philosophy

A committee has been set up to provide independent advice on the determination of the Terminal Bonus amounts to the Board of the Company. The actual Terminal Bonuses, which are recommended by the Appointed Actuary, will be decided upon the deliberation of the committee and finally approved by the Board of Directors of the Company, including one or more Independent Non-Executive Directors.

Your policy is a participating policy and can share the divisible surplus from the product group determined by us. Terminal Bonuses will be determined with an aim to ensure fair sharing of profits between policyholders and the Company. In the plan, profit and loss arising from including, but not limited to, investment, claims and policy persistency will impact your asset share. To align our interest with yours, we aim to share with you no less than 90% of the distributable profit while the remaining portion goes to us. The amount of the distributable profits is determined separately from and may not be the same as the total profits.

Terminal Bonus does not form a permanent addition to the policy. The Company has the right to determine the declaration frequency and the declared Terminal Bonus amount. The Terminal Bonuses will be reviewed and determined by us at least once per year. In determining the Terminal Bonuses, we will take into account both past experience and expected future outlooks for factors including, but not limited to, the following.

Claims: These include the costs of providing coverage such as death benefit and other benefits.

Investment performance: This includes interest / dividend income and changes in the market value of the invested assets. Investment performance could be affected by fluctuations in interest / dividend income and various market risk factors, such as credit spread, default risk, fluctuations in equity prices, property prices, commodity prices, exchange rates, and liquidity risk, etc.

Surrenders: These may include policy lapses, surrenders, partial surrenders and other deductions and benefit payments; and the corresponding impact on investments.

To provide more stable Terminal Bonuses, we may retain returns during periods of strong performance to support or maintain stronger Terminal Bonuses during periods of less favourable performance.

The determination of Annual Dividends and/or Terminal Bonuses will be recommended by the Appointed Actuary and approved by the Board of Directors of the Company, including one or more Independent Non-Executive Directors.

Investment Policy, Objective and Strategy

YF Life Insurance International Ltd.'s investment objective is to optimize policyholders' returns over the long-term with an acceptable level of risk. Assets are invested in a broad range of investment instruments, which may include global equities, bonds and other fixed-income instruments, properties, commodities and other alternative investment assets. This diversified investment portfolio aims to achieve attractive and stable long-term returns. Derivatives may also be used for risk-management purposes.

Past and expected future performance, volatility, and the associated risks of investment assets are considered in selecting investment assets and managing our investment portfolio.

To achieve the long-term target returns, YF Life Insurance International Ltd. implements a strategy utilizing a mix of fixed-income and equity-like investments. The current long-term target strategy is to allocate assets as follows:

Asset Class	Target Asset Mix (%)
Bonds and other fixed-income instruments	35% - 100%
Equity-like assets	0% - 65%

Bonds and other fixed-income investments mainly include high credit rating government bonds and corporate bonds across a variety of industries, making up a diversified bond portfolio with high asset quality.

Equity-like assets may include global equities (public and/or private), mutual funds, exchange-traded funds, high yield debts, properties, commodities and alternative investment assets. Investments are diversified across various geographical areas and industries.

Derivatives may be used for risk-management purposes to reduce market risks including but not limited to interest rate and currency risk.

There may be some degree of deviation from the above targets in certain periods in order to manage the portfolio efficiently and to optimize the portfolio return and risk.

This investment strategy may be subject to change, depending on the prevailing market conditions and economic outlook.