

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2024

BOC GROUP LIFE ASSURANCE COMPANY LIMITED

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BOC GROUP LIFE ASSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors are pleased to present their report together with the audited consolidated financial statements of BOC Group Life Assurance Company Limited (the "Company") and its subsidiary (together the "Group") for the year ended 31 December 2024.

Principal activities

The principal activities of the Company are underwriting long term insurance business in participating business, non-participating business, linked long term business, retirement scheme management and other businesses as defined under the Insurance Ordinance in Hong Kong.

Business Review

Business performance

In 2024, the Company continued its proactive efforts to enhance insurance premium income and business quality. Focused on developing and expanding its distribution channels while driving the sales of high-value insurance products, which contributed to an increase in the standard new premium of 49.5% year-on-year to HK\$17,295 million. The value of new business also increased by 65.4% to HK\$3,117 million, setting a new record high. Profit before tax amounted to HK\$1,479 million, compared to a profit before tax of HK\$1,070 million last year. This was mainly attributable to increase in the release of contractual service margin ("CSM") as a result of a higher closing CSM balance primarily from new business written this year.

BOC Life has consistently introduced a range of innovative products, including the "Star Legacy Private Wealth Whole Life Plan" designed specifically for private wealth customers which integrates protection, wealth appreciation and legacy considerations. Multi-currency products such as "Glamorous Glow Global Whole Life Insurance Plan", "Eternal Fortune Global Whole Life Insurance Plan" have garnered positive responses from clients. "Glamorous Glow", in particular, excels in attracting net-high-worth clients by offering exclusive financial solutions to meet their diverse needs. Additionally, the recently debuted "IncomeJoy Lifelong Insurance Plan", which provides monthly income for life, has been well received by customers seeking a stable income stream amid declining interest rate forecasts.

BOC Life has achieved significant milestones in building the silver ecosystem by signing strategic partnerships with Xiamen C&D International Travel Service Group Co. Ltd. and SW Wellbeing Holdings Ltd. at the Hongqian International Economic Forum, the title sponsorship of the Golden Age Expo and Summit, and the forging of the formation of the "Assure2gether Alliance". The "Assure2gether Alliance" is a platform that combines collaboratively optimised products and services provided by professional partners from various industries to offer holistic retirement solutions for golden agers and their caregivers. In addition, the Company has introduced the exclusive "RetireCation" Experience Programme, which leverages the strengths of "Banking + Insurance" to offer a unique perspective on retirement living in 18 RetireCation destinations known for their "low cost of living and high quality of life". The "RetireCation" Experience Programme features an unparalleled "Six Aspects of Well-being" and dedicated concierge service exclusively for members, allowing them to immerse themselves in local culture during the sojourn and embark on their carefree second life, making it a truly unique and appealing offering.

In the wellness ecosystem, the "Live Young" Programme stands as a testament to our commitment to well-being. This personalised wellness platform, in strategic collaboration with over 80 third-party partners, has not only attracted more than 120,000 users but also achieved a cumulative direct conversion of new insurance annualised first year premiums reaching more than HK\$220 million. This success is a source of pride and reassurance for all our stakeholders.

BOC Life continued to rank high in Hong Kong's life insurance sector. Awards received in 2024 included: "2024 Wealth Insurer of the Year" by 10Life, "Outstanding Deferred Annuity Solution Award" at the Banking & Finance Awards 2023-24 organised by Sky Post, "Gold Award for Individual Award – Internal Support Service" at the Customer Service Excellence Award Programme 2023 by Hong Kong Association for Customer Service Excellence, "Excellence Award in High Net Worth (Product)" and "Outstanding Award in Life & Wealth Management Insurance" of Bloomberg Businessweek Financial Institution Awards 2024, "Hong Kong Business Technology Excellence Awards 2024 App – Life Insurance" by Hong Kong Business Magazine, "Outstanding

BOC GROUP LIFE ASSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

Business performance (continued)

Insurance Business – Outstanding Annuity Insurance Award, Saving Insurance Award and Customer Service Award" at the RMB Business Outstanding Awards organised by Metro Finance, Top three at the "Excellence in KOL Partnership" and "Excellence in Customer Acquisition and Engagement" at the Hong Kong Insurance Award 2024 by Hong Kong Federation of Insurers and South China Morning Post, "Hong Kong Business Awards 2024 – Financial Crime Compliance Service of the Year 2024" by APAC Insider, "Gold Award in Mystery Customer Assessment Award (Brick-and-Mortar) – Finance and Insurance" and "Gold Award in Mystery Customer Assessment Award – Finance and Insurance" at the Hong Kong Customer Contact Association Award 2023 by Hong Kong Customer Contact Association, and the "Distinguished Trainer Awards" of the Award for Excellence in Training and Development 2024 by the Hong Kong Management Association. The Company's sustainability and CSR also gained much recognition, including the "Employer of the Choice Award 2023" by JobMarket, "Awards for Excellence in Finance 2024 – Brand Value: Award for Excellence in Community Contribution" by Ming Pao, "Greater Bay Area ESG Achievement Awards – Outstanding GBA Corporate Sustainability Award" by Metro Finance, and "Sustainable Business Award 2023" by World Green Organisation.

Future business plan

To keep with the objective of expanding growth capabilities, the Company will continue to diversify and enhance its distribution channels, broaden customer base and maintain competitive edges in product innovation, digital transformation and customer service. Bancassurance remains the key distribution model, complemented by the development of tied agency, broker and other direct channels to reach a wider spectrum of customers. Solid business performance will be conducive for the Company to support the strategy of BOC Hong Kong (Holdings) Limited ("BOCHK") in the continuous development of life insurance businesses.

Principal risks

The major types of risks arising from the Company's insurance business are insurance risk, interest rate risk, credit risk, equity and fund price risk, currency risk, liquidity risk and compliance risk. Please refer to Note 4 in the consolidated financial statements.

Environmental policies and performance

The Company is committed to promoting high-quality development, integrating sustainable development into business strategies and operations and focusing on four major themes of youth development and education, innovation and technology, sports, and arts and culture. We continue to take the approach by collaborating the cross-sector strength of "government, business and society" in corporate social responsibility projects. This collaborative effort ensures that all stakeholders are included and part of a collective initiative to maximise the benefit and impacts to the community. In 2024, BOC Life contributed to the sustainable development of society and organised diversified projects and programmes. These include: the flagship charity project, "BOC Life New Generation Financial and Technology Designers Programme", for social investment to underprivileged students for programming learning and competition with STEAM and environmental protection elements, which has benefited more than 450 students so far; BOC Life and the Museum of Hong Kong Literature have become partners and launched the "Young Writers' Nurturing Programme" to cultivate interest in writing and improve writing skills of the students, laying solid foundation for the language skills of Hong Kong teenagers. The Company continued the "Future Leadership Scholarship Programme" with the Business School of the University of Hong Kong to reward local undergraduate students with outstanding academic performance and cultivate them into future leaders with leadership, forward-looking and social responsibility through various activities. Meanwhile, eyeing the mental health of young people, BOC Life title-sponsored the Hong Kong Award for Young People's "City in the Wild Orienteering Challenge 2024" Programme to cultivate young people's positive thinking and enhance resilience and their sense of social belonging while at the same time injecting Hong Kong's unique cultural and historical elements. The Company is enthusiastic about supporting sports programmes in strengthening social cohesion and helping young people form positive character traits, and is the title sponsor of the "BOC Life 6th Trampoline Championships 2024" and the "BOC Life Premiere League" to create more opportunities for Hong Kong athletes and promote sports development in the Greater Bay Area.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Business Review (continued)

Environmental policies and performance (continued)

BOC Life is also actively contributing to the goal of carbon neutrality, implementing various paper-saving measures internally and continuing reduction in paper consumption. In addition, the Company sponsored the "ESG Xchange 2024: ESG Climate Action International Summit" organised by the World Green Organisation to promote social sustainable development through global cross-industry partnership collaboration, and is the title sponsor of "HKMA/BOC Life Sustainability Summit 2024", bringing together cross-sector discussions on a sustainable future while arranging local university students to attend to add value to Hong Kong's future sustainable development professionals. Coping with ageing is a global issue and one of the key strategies at BOC Life, we sponsored the "BOC Life 9th Golden Age Exhibition and Summit" this year to promote the silver economy and create a sustainable, smart ageing world.

The Company adheres to the "People-oriented" purpose and actively creates a pleasant working environment, organises different forms of experiential learning, promotes cross-departmental mutual understanding, and enhances the awareness of collaboration among colleagues. In addition, BOC Life continues to implement innovative and digital training courses by using a new digital learning model, bringing personalised learning and career development through corporate training, and offers better-than-the-market staff benefits such as caring leave, enhanced maternity leave and paternity leave, etc. This year, joining hands with the Company's staff, the accumulated service hours by corporate volunteers exceeded 870 hours.

Legal and compliance

The Company acknowledged no known non-compliance with laws and regulations that could have a material effect on the Company.

Subsequent event

No subsequent event had material impact to the Group after 31 December 2024.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 11.

The directors do not recommend the payment of a dividend.

Dividend

HK\$50,027,320 final dividend for the year ended 31 December 2023 was paid to the shareholders whose name appeared on the Register of Members of the Company on 31 December 2023. The dividend was paid on 27 June 2024. There is no interim dividend for 2024.

Reserves

Movements in the reserves of the Group during the year are set out on page 13.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Property and equipment

Movements in property and equipment of the Company during the year are set out in Note 5 to the consolidated financial statements.

Share capital

Share capital is set out in Note 11 to the consolidated financial statements.

Donation

The Company donated HK\$500,000 (2023: HK\$833,267) to registered charity organisations.

Permitted indemnity provision

Pursuant to the Articles of Association, every director shall be indemnified out of funds of the Company against all liabilities incurred by him/her to the extent permitted by the Hong Kong Companies Ordinance. Insurance has been maintained for the benefit of directors against liability which may lawfully be insured by the Company.

Directors

The directors who were in the office as at the end of the financial year and up to the date of this report are:

Mr. Sun Yu	
Mr. Xu Haifeng	(appointed on 24 July 2024)
Mr. Chan Man	
Mr. Ge Chunyao	(appointed on 24 July 2024)
Ms. Lai Zhenzhen	(ceased to act on 30 April 2024)
Mr. Lau Hon Chuen	
Mr. Qu Helei	
Mr. Leung Wing Lok	
Mr. Tang Chee Ping Wilson	

In accordance with Article 74 of the Company's Articles of Association, all directors are not subject to rotation of retirement.

Directors' interests in transactions, arrangements or contracts

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

Directors' interests in the shares, underlying shares and debentures

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

Management contracts

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

BOC GROUP LIFE ASSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Auditor

During the year, PricewaterhouseCoopers resigned as auditors of the Group and Ernst & Young were appointed by the board of directors to fill the casual vacancy so arising.

The consolidated financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



SUN Yu
Chairman

Hong Kong

19 MAR 2025

Independent auditor's report**To the Members of BOC Group Life Assurance Company Limited**

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of BOC Group Life Assurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 9 to 122, which comprise the consolidated balance sheet as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy 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 its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

Other matter

The financial statements of the Group for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2024.

Emphasis of matter

We draw attention to Note 2.1 to the consolidated financial statements which describes that the consolidated financial statements for the year ended 31 December 2024 included a retrospective restatement. Our opinion is not modified in respect of this matter.

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

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the consolidated financial statements

The directors 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.

Independent auditor's report**To the Members of BOC Group Life Assurance Company Limited (continued)**

(incorporated in Hong Kong with limited liability)

Responsibilities of directors and those charged with governance for the consolidated financial statements (continued)

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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our 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.
- 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report

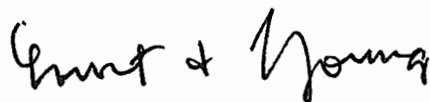
To the Members of BOC Group Life Assurance Company Limited (continued)

(incorporated in Hong Kong with limited liability)

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

- 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 consolidated 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, which appears to read 'Ernst & Young'.

Certified Public Accountants
Hong Kong
19 March 2025

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

CONSOLIDATED BALANCE SHEET

		As at 31 December		As at 1 January
	Notes	2024	2023 (Restated)	2023 (Restated)
ASSETS				
Property and equipment	5	83,265,260	66,831,787	83,887,441
Reinsurance contract assets	12	35,877,887,376	43,792,237,169	48,814,672,664
Insurance contract assets	12	1,927,727	1,509,747	2,522,847
Investment in an associate	7	356,520,065	308,921,251	-
Financial investments not held by unit-linked fund				
- Fair value through profit or loss ("FVTPL")	6	98,758,605,121	78,387,812,166	68,088,267,231
- Amortised cost ("AC")	6	2,203,925,881	2,549,268,471	2,804,748,342
- Fair value through other comprehensive Income ("FVOCI")	6	41,068,019,280	53,558,547,051	49,161,669,455
Interest and other receivables	8	2,401,324,071	2,103,512,936	2,051,384,971
Other assets	9	154,720,942	122,461,208	122,896,460
Deferred tax assets	15	994,625,279	842,470,363	795,232,321
Current tax assets		-	33,631,804	62,457,321
Derivative financial assets	6	48,399,247	31,474,351	233,891,633
Cash and bank	10	8,912,415,809	4,484,215,079	4,852,000,540
Segregated unit-linked fund assets				
- Financial assets mandatorily measured at FVTPL	6	430,326,735	366,900,987	308,352,854
- Other receivables	8	22,293	20,193	18,258
- Cash and bank	10	722,415	739,778	982,935
Total assets		191,292,707,501	186,650,554,341	177,382,985,273
EQUITY				
Share capital	11	3,538,000,000	3,538,000,000	3,538,000,000
Reserves		(2,055,866,764)	(1,157,344,240)	(1,454,298,915)
Retained earnings		5,059,848,481	3,719,130,957	2,598,062,878
Equity attributable to owners of the Company		6,541,981,717	6,099,786,717	4,681,763,963
Non-controlling interests		-	329,062	335,349
Total equity		6,541,981,717	6,100,115,779	4,682,099,312

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

CONSOLIDATED BALANCE SHEET (continued)

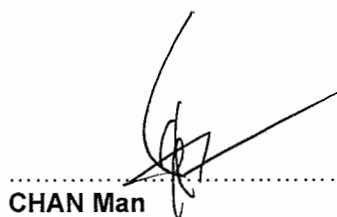
	Notes	As at 31 December		As at 1 January
		2024	2023	2023
LIABILITIES				
Insurance contract liabilities	12	180,108,456,984	176,006,428,227	168,776,939,069
Reinsurance contract liabilities	12	29,014,161	714,400,546	766,030,619
Trade payables and other liabilities	13	956,197,132	783,592,816	747,097,285
Borrowings	14	3,305,461,391	2,848,830,596	2,301,071,960
Current tax liabilities		140,939,497	75,466,043	77,231,143
Derivative financial liabilities	6	210,656,619	121,720,334	30,597,337
Structured notes		-	-	1,918,548
Total liabilities		184,750,725,784	180,550,438,562	172,700,885,961
Total equity and liabilities		191,292,707,501	186,650,554,341	177,382,985,273

The notes on pages 16 to 122 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 19 March 2025 and signed on behalf of the Board by:



.....
SUN Yu
Director



.....
CHAN Man
Director

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Notes	2024	2023 (Restated)
Insurance revenue	16	2,693,697,160	1,917,649,355
Insurance service expenses	21	(1,635,368,703)	(1,316,714,140)
Net income from reinsurance contracts held		272,589,793	108,655,720
Insurance service result		1,330,918,250	709,590,935
Interest income			
-Interest income calculated using the effective interest method		2,141,009,586	2,251,053,993
-Others		2,999,117,898	2,383,504,212
Interest expenses		(19,598,008)	(33,658,796)
Other investment (losses)/income		(2,603,696,535)	1,416,006,519
Net investment income	17	2,516,832,941	6,016,905,928
Finance expenses from insurance contracts issued	18	(2,192,859,993)	(5,925,259,773)
Finance income from reinsurance contracts held	18	53,459,094	495,142,708
Net insurance finance expenses		(2,139,400,899)	(5,430,117,065)
Net insurance and investment result		1,708,350,292	1,296,379,798
Other operating income	20	10,742,854	8,676,923
Management and operating expenses	22	(102,010,080)	(107,240,235)
Other finance costs	24	(160,677,893)	(127,819,684)
Share of results of associate	7	22,377,347	-
Profit before taxation		1,478,782,520	1,069,996,802
Taxation	25	(88,037,676)	55,388,313
Profit for the year		1,390,744,844	1,125,385,115
Attributable to:			
- equity holders of the Company		1,390,744,844	1,125,385,115
- non-controlling interests		-	-
		1,390,744,844	1,125,385,115

The notes on pages 16 to 122 are an integral part of these consolidated financial statements.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	2024	2023
Profit for the year		1,390,744,844	1,125,385,115
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Change in fair value on equity instruments designated at FVOCI		6,747,288	7,050,597
Deferred taxation related to the above	15	(399,044)	(1,163,586)
Total that will not be reclassified subsequently to the consolidated income statement		6,348,244	5,887,011
Items that may be reclassified subsequently to the consolidated income statement:			
Finance expenses from insurance contracts issued		(1,721,546,491)	(2,165,359,688)
Finance income from reinsurance contracts held		537,101,504	635,700,944
Deferred taxation related to the above	15	195,433,423	252,393,693
Debt instruments at FVOCI			
- Change in fair value		(2,246,466)	1,684,392,172
- Release upon disposals		122,645,398	150,534,166
- Change in allowance for expected credit losses ("ECLs")		(1,389,819)	1,415,952
- Taxation related to the above	15	(34,739,463)	(272,346,165)
Currency translation difference		(128,854)	13,267
Total that will be reclassified subsequently to the consolidated income statement		(904,870,768)	286,744,341
Other comprehensive income for the year, net of tax		(898,522,524)	292,631,352
Total comprehensive income for the year		492,222,320	1,418,016,467
Attributable to:			
- equity holders of the Company		492,222,320	1,418,022,754
- non-controlling interests		-	(6,287)
		492,222,320	1,418,016,467

The notes on pages 16 to 122 are an integral part of these consolidated financial statements.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>					
	Share capital	Insurance finance reserve	Fair value reserves	Retained earnings	Non-controlling interests	Total
As at 1 January 2024	3,538,000,000	3,209,495,057	(4,366,839,297)	3,719,130,957	329,062	6,100,115,779
Profit for the year	-	-	-	1,390,744,844	-	1,390,744,844
Other comprehensive income						
- Finance expenses from insurance contracts issued, net of tax	-	(1,437,491,320)	-	-	-	(1,437,491,320)
- Finance income from reinsurance contracts held, net of tax	-	448,479,756	-	-	-	448,479,756
-FVOCI financial instruments, net of tax	-	-	90,617,894	-	-	90,617,894
- Currency translation difference	-	-	(128,854)	-	-	(128,854)
Total other comprehensive income	-	(989,011,564)	90,489,040	-	-	(898,522,524)
Total comprehensive income	-	(989,011,564)	90,489,040	1,390,744,844	-	492,222,320
Dividends	-	-	-	(50,027,320)	-	(50,027,320)
Release upon disposal of subsidiary	-	-	-	-	(329,062)	(329,062)
As at 31 December 2024	3,538,000,000	2,220,483,493	(4,276,350,257)	5,059,848,481	-	6,541,981,717

The notes on pages 16 to 122 are an integral part of these consolidated financial statements.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	<u>Attributable to equity holders of the Company</u>					
	Share capital	Insurance finance reserve	Fair value reserves	Retained earnings	Non- controlling interests	Total
As at						
1 January 2023	3,538,000,000	4,486,760,108	(5,941,059,023)	2,598,062,878	335,349	4,682,099,312
Profit for the year	-	-	-	1,125,385,115	-	1,125,385,115
Other comprehensive income						
- Finance expenses from insurance contracts issued, net of tax	-	(1,808,075,339)	-	-	-	(1,808,075,339)
- Finance income from reinsurance contracts held, net of tax	-	530,810,288	-	-	-	530,810,288
- FVOCI financial instruments, net of tax	-	-	1,569,883,136	-	-	1,569,883,136
- Currency translation difference	-	-	19,554	-	(6,287)	13,267
Total other comprehensive income	-	(1,277,265,051)	1,569,902,690	-	(6,287)	292,631,352
Total comprehensive income	-	(1,277,265,051)	1,569,902,690	1,125,385,115	(6,287)	1,418,016,467
Reclassification of net change in fair value of equity instruments upon derecognition	-	-	4,317,036	(4,317,036)	-	-
As at 31 December 2023	3,538,000,000	3,209,495,057	(4,366,839,297)	3,719,130,957	329,062	6,100,115,779

The notes on pages 16 to 122 are an integral part of these consolidated financial statements.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Notes	2024	2023
Net cash flows generated from/(used in) operating activities	27	4,305,978,647	(384,168,035)
Cash flows used in investing activities			
Purchases of items of property and equipment	5	(10,276,995)	(15,205,255)
Purchases of items of intangible assets	9	(46,116,846)	(31,868,355)
Addition of investment in an associate	7	(25,221,467)	(308,921,251)
Net cash used in investing activities		(81,615,308)	(355,994,861)
Cash flows generated from financing activities			
Payment of lease liabilities		(42,562,051)	(48,989,604)
Proceeds from new borrowings		3,869,244,000	2,101,515,958
Repayment of borrowings		(3,408,677,898)	(1,549,371,985)
Interest payment of borrowings		(163,769,389)	(131,099,286)
Dividend paid to equity holders	26	(50,027,320)	-
Net cash flows generated from financing activities		204,207,342	372,055,083
Net changes in cash and cash equivalents		4,428,570,681	(368,107,813)
Cash and cash equivalents at beginning of year		4,479,962,020	4,848,069,833
Cash and cash equivalents at the end of year (before allowance for ECLs)		8,908,532,701	4,479,962,020

Reconciliation:

	Year ended 31 December	
	2024	2023
Cash at bank and other financial institutions	5,571,517,226	3,538,165,292
Short-term bank deposits	3,336,288,060	9 41,051,950
Segregated unit-linked assets		
Cash and cash equivalents	722,415	739,778
Cash in hand	5,000	5000
Total (before allowance for ECLs)	8,908,532,701	4,479,962,020

The notes on pages 16 to 122 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

BOC Group Life Assurance Company Limited (the "Company") underwrites life insurance risks, such as those associated with death, disability, health and retirement. All these products are offered to domestic market only. The Company operates in Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 13/F and Suites 1705 – 1712 17/F, 1111 King's Road, Taikoo Shing, Hong Kong.

The Company is controlled by BOC Hong Kong (Holdings) Limited (incorporated in Hong Kong). The ultimate parent of the Company is the State Council of the PRC Government through China Investment Corporation.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2025.

2 Material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation) issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance. The consolidated financial statements are presented in Hong Kong Dollars. They have been prepared under the historical cost convention except for certain financial assets and financial liabilities measured at fair value and insurance contracts and reinsurance contracts held measured on a current value basis as explained in Note 2.10 and Note 3.

The preparation of consolidated 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, and their accompanying disclosures. The estimates and associated assumptions are based on historical experiences 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 those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(a) Amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2024

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2024 (continued)

HK Int 5 (Revised)

Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The nature and the impact of the amendments and interpretation are described below:

Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 Non-current Liabilities with Covenants

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

HK Int 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This interpretation is revised as a consequence of HKAS 1 (Amendments), "Classification of Current or Non-current Liabilities" issued in August 2020, to align the corresponding wordings with no change in conclusion. The amendments are applied retrospectively. Early adoption is permitted. It is not applicable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

Standards/Amendments/Interpretation	Content	Applicable for financial years beginning on/after
Amendments to HKAS 21	<i>Lack of Exchangeability</i>	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	1 January 2026
HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to HK Int 5	<i>Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>	1 January 2027
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i>	No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

- Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.
- Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The Group is considering the impact of the amendments and the timing of its application.

- Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:
 - HKFRS 1 First Time Adoption of Hong Kong Financial Reporting Standards: The amendments update the wordings in paragraph B6 regarding "qualifying criteria" and added cross-references to HKFRS 9 in paragraphs B5 and B6 to improve the consistency with the requirements of HKFRS 9 and understandability of HKFRS 1 related to hedge accounting. The amendments are not expected to have any impact on the Group's financial statements.
 - HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
 - HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
 - HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
 - HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group’s financial statements.

- HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group’s financial statements.
- HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. The application of the standard will not have any impact on the Group’s consolidated financial statements.
- The references in Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause have been updated to reflect the requirements in HKFRS 18. The Group is currently analysing the new requirements and assessing the impact on the presentation and disclosure of the Group’s financial statements.
- Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. Early adoption is permitted. The application of the amendments will not have a material impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Restatement of prior year's consolidated financial statements

Correction of classification of certain financial assets:

Upon the first-time adoption of HKFRS 17 Insurance Contracts since 1 January 2023, the Group re-designated certain financial assets, which have been classified as FVOCI, at FVTPL. During the review of the Group's financial statement closing process during the year ended 31 December 2024, the management of the Company has identified that some financial assets which were not in the scope of re-designation have been unintendedly re-designated into FVTPL.

To rectify the misclassification of these financial assets, the balance of these financial assets has been retrospectively reclassified from FVTPL to FVOCI as at 1 January 2023 and 31 December 2023, respectively.

Accordingly, the comparative amounts in relation to the reclassification of these assets have been restated as a result of correction. The following tables show the restatement made to the relevant line items in the consolidated balance sheets as at 31 December 2023 and 1 January 2023, and as previously reported for the year ended 31 December 2023 and 1 January 2023. Line items that were not affected by the restatement have not been included.

Consolidated balance sheet	As previously reported	Adjustment	As restated
	reported		
	HK\$	HK\$	HK\$
31 December 2023			
Financial investments			
not held by unit-linked fund – Fair value through profit or loss	79,311,748,983	(923,936,817)	78,387,812,166
Financial investments			
not held by unit-linked fund – Fair value through other comprehensive income	52,634,610,234	923,936,817	53,558,547,051
Consolidated balance sheet	As previously reported	Adjustment	As restated
	reported		
	HK\$	HK\$	HK\$
1 January 2023			
Financial investments			
not held by unit-linked fund – Fair value through profit or loss	69,003,549,698	(915,282,467)	68,088,267,231
Financial investments			
not held by unit-linked fund – Fair value through other comprehensive income	48,246,386,988	915,282,467	49,161,669,455

Correction of the calculation of the investment income of the financial assets:

During the review of the Group's financial statements closing process during the year ended 31 December 2024, the management of the Company identified that the investment income of certain financial assets in prior years was not calculated in accordance with the bond feature. The Group had referred to the face value rather than the actual cash flows to be received at maturity, which are available on the term sheet and bond prospectus, as the final cash flow in the interest income calculation. As a result, the interest income and fair value movement of the financial assets are incorrectly calculated.

To correct the calculation of the investment income of the financial assets, the respective investment income has been reclassified from "Other investment (losses)/income" to "Interest income - Others".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Restatement of prior year's consolidated financial statements (continued)

Accordingly, certain comparative amounts in relation to the calculation of the investment income have been restated as a result of correction. The effects of the changes are summarised as below:

Consolidated income statement	As previously reported	Adjustment	As restated
31 December 2023	HK\$	HK\$	HK\$
Interest income - Others	2,262,797,220	120,706,992	2,383,504,212
Other investment (losses)/income	1,536,713,511	(120,706,992)	1,416,006,519

The restatements above do not have material impact on the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary for the year ended 31 December 2024.

(a) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual or non-contractual arrangements; and (c) the Group's voting rights and potential voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investment in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests without change of control as transactions with equity owners of the Group. For purchases from non-controlling interests of equity interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recognised in equity. Gains or losses on disposals to non-controlling interests are also recognised in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or retained earnings, as appropriate.

(c) Associates

An associate is the entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in an associate is accounted for using the equity method of accounting and are initially recognised at cost, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The Group's investment in an associate includes goodwill, net of accumulated impairment loss and any related accumulated foreign currency translation difference.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates (continued)

The Group's share of the post-acquisition profits or losses of associates is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The accumulated post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associates.

Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, where appropriate.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is also the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions using the exchange rates prevailing at the dates of the transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement and the consolidated statement of comprehensive income.

Translation differences on monetary securities held at FVTPL are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the AC of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the AC are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in consolidated other comprehensive income.

Translation differences on non-monetary items, such as equities held at FVTPL, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets that are designated as FVOCI are included in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances (continued)

The results and financial position of all the group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity.

2.4 Property and equipment

Property and equipment (including right-of-use assets arising from leases over leasehold land) and other right-of-use assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less accumulated impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets over their estimated useful lives as follows:

Owned assets

Leasehold improvements	Up to lease period
Computer equipment	3 – 10 years
Office furniture and equipment	2 – 15 years

Right-of-use asset

Properties	Shorter of useful lives and lease terms
------------	---

Work-in-progress is not subject to depreciation until it is in use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the consolidated income statement on the date of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.5 Financial assets

Management determines the classification of its financial assets at initial recognition.

2.5.1 Classification and measurement

The Group classifies its financial assets into one of the following measurement categories at initial recognition as subsequently measured at FVTPL, AC and FVOCI. The classification depends on the Group's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are recognised initially at fair value. Except for financial assets carried at FVTPL, all transaction costs of financial assets are included in their initial carrying amounts.

(a) Financial assets at FVTPL

This category has two sub-categories: financial assets designated at FVTPL at inception and financial assets mandatorily required to be measured at FVTPL, including those held for trading.

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is classified as held for trading.

A financial asset, other than those held for trading or otherwise mandatorily measured at FVTPL, will be designated as a financial asset at FVTPL, if it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases, and is so designated by the Management.

These assets are recognised initially at fair value, with transaction costs taken directly to the consolidated income statement, and are subsequently re-measured at fair value.

Gains and losses from changes in the fair value of such assets (excluding the interest component) are reported in other investment income/(loss) in the income statement. The interest component, i.e. the interest accrual which is calculated using the coupon rate, is reported in other interest income in the income statement. Dividends on equity instruments of this category, which are generally determined at the amounts to be distributed by the investees, are also recognised in other investment income/(loss) in the income statement when the Group's right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.5 Financial assets (continued)

2.5.1 Classification and measurement (continued)

(b) Financial assets at AC

Financial assets are classified as subsequently measured at AC if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows ("hold-to-collect" business model), and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at AC using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the consolidated income statement. Any gains or losses arising on derecognition or modification and impairment allowances are recognised in other investment income/(loss) in the income statement.

(c) Financial assets at FVOCI

Debt instruments are classified as subsequently measured at FVOCI if both of the following conditions are met: (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets at FVOCI are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value of financial assets are recognised directly in other comprehensive income, except impairment allowances and interest income are recognised in the consolidated income statement. Interest income includes the amortisation of premium and discount is calculated using the effective interest method and is. When the financial asset is derecognised, the accumulated gain or loss previously recognised in equity should be transferred to the consolidated income statement.

For an equity investment that is not held for trading and meets the definition of an equity instrument from the issuer's perspective, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the retained earnings even upon disposal. Dividends on equity instruments designated at FVOCI, except for those clearly represent a recovery of part of the cost of the investments, are recognised in other investment income/(loss) in the income statement when the Group's right to receive the payment is established. Equity instruments designated at FVOCI are not subject to impairment assessment.

The treatment of translation differences on FVOCI securities is dealt with in Note 2.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.5 Financial assets (continued)

2.5.2 Recognition and derecognition

Regular-way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where they have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.6 Financial liabilities

The Group classifies its financial liabilities under the following categories: at FVTPL (held for trading or designated) and at AC. All financial liabilities are classified at initial recognition and measured at fair value, and in the case of financial liabilities not at FVTPL, minus transaction costs.

Held for trading financial liabilities include derivatives that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. They are measured at fair value and any gains and losses from changes in fair value are recognised in the consolidated income statement or in the consolidated statement of comprehensive income.

Financial liabilities at AC include trade payables and other liabilities and borrowings that are subsequently measured at AC using the effective interest method. Gains and losses are recognised in the consolidated income statement when the financial liabilities are derecognised.

All financial liabilities are derecognised from the balance sheet when and only when the obligation specified in the contract is discharged, cancelled or expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.7 Impairment of financial assets

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at AC; and
- debt securities measured at FVOCI.

Financial assets measured at FVTPL and equity instruments designated at FVOCI are not subject to the ECL assessment.

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. 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; or
- 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 will account for ECLs within the next 12 months as Stage 1 when those financial instruments are initially recognised; and to recognise lifetime ECLs as Stage 2 when there has been a significant increase in credit risk since initial recognition. Lifetime ECLs will be recognised for credit-impaired financial instruments as Stage 3 if the future cash flows of that financial instruments are adversely affected by one or more events and interest income will then be calculated by applying the effective interest rate to their AC (i.e. net of the impairment amount of the respective Stage 3 financial assets).

In assessing whether the credit risk of a financial instrument (including low credit risk assets which are mainly investment grade investments) 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.

There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This presumption is rebutted because a financial asset with contractual payments past due more than 30 days alone does not necessarily representing a significant increase in credit risk.

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

- failure to make payments of principal or interest 30 days after 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.7 Impairment of financial assets (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. Generally, a significant increase in credit risk is assessed on an individual instrument basis as described above. However, if the Group identifies a key driver that is not considered in the individual assessment on a timely basis, then the Group will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to the whole or part of a portfolio. This may lead to the Group concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

The Group considers that a financial instrument is in default 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 securities (if any is held); or (ii) the financial asset is 90 days past due. The Group considers on an individual basis 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.

ECLs are remeasured at the end of 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 income statement. 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, for which the loss allowance is recorded in the other comprehensive income and accumulated in reserves (fair value reserve) does not reduce the carrying amount of the financial asset in the consolidated balance sheet.

When a financial asset has no reasonable expectation of recovery, it is written off against the related allowance for impairment losses. Although the Group expects no significant recovery from the amounts written off, the financial assets that are written off are still subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the consolidated income statement.

2.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date which a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.9 Cash and bank

Cash and bank include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts

(a) Classification

The Group issues insurance contracts which are contracts that transfer significant insurance risk and may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefit payable if the insured event did not occur and if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. The Group classified contracts that fall into Retirement Scheme Management Category I in accordance with Schedule 1 – Classes of Insurance Business specified in the Insurance Ordinance as investment contracts. Due to the contractual discretion of the Group over the investment return to the policyholders, these investment contracts contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- (i) that are likely to be a significant portion of the total contractual benefits;
- (ii) whose amount or timing is contractually at the discretion of the Group; and
- (iii) that are contractually based on realised and/or unrealised investment returns on a specified pool of assets held by the Group.

The Group does not have any investment contracts without DPF.

A contract with direct participation features ("direct participating contract") is defined by the Group as one which, at inception, meets the following criteria:

- (i) the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- (ii) 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
- (iii) 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.

Certain insurance contracts and investment contracts with DPF of the Group are contracts with direct participation features where substantially investment-related service is provided to the policyholders, and their underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets and account for these groups of contracts using the variable fee approach ("VFA").

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued and investment contracts with DPF issued, unless specifically stated otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(b) Recognition

A group of insurance contracts issued is initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous

Investment contracts with DPF are initially recognised at the date the Group becomes a party to the contract.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the group. When contracts individually meet the recognition criteria after the reporting date, they are added to the group in the reporting period in which they meet the recognition criteria, subject to the 'annual cohort' restriction. Composition of the groups is not reassessed subsequently.

(c) Contract modification and derecognition

An insurance contract is derecognised when:

- (i) It is extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- (ii) the contract is modified as a result of an agreement with the counterparties or due to a change in regulations and would have changed the accounting for the contract significantly had the new terms always existed. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

(d) Level of aggregation

The Group has defined portfolios of insurance contracts issued based on its product lines, where each product line includes contracts that are subject to similar risks and managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohort) and are:

- (i) contracts that are onerous at initial recognition;
- (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- (iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reassessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(e) Fulfilment cash flows ("FCF")

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of these amounts.

The Group estimate certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. This term of "present value of future cash flows" includes all items related to balances such as payables, receivables and policy loans.

FCF denominated in foreign currencies

A group of contracts, including the contractual service margin ("CSM") where applicable, is treated as a monetary item when applying HKAS 21. For multi-currency groups of contracts, the Group considers its group of contracts as being denominated in a single currency (the "group currency"). The effects of changes in the exchange rates between the original currency and the group currency are accounted for as changes in financial risk applying HKFRS 17.

The foreign exchange differences arising from translating the group currency to the functional currency applying HKAS 21 are recognised in profit or loss (or other comprehensive income where applicable) and presented within insurance finance income or expenses.

(f) Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the Group can compel the policyholders to pay the premiums or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

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

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(g) Insurance acquisition cash flows

The Group includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- (i) costs directly attributable to individual contracts and groups of contracts; and
- (ii) cost directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

(h) Risk adjustment for non-financial risk

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

- (i) Initial measurement – Groups of contracts not measured under the premium allocation approach ("PAA")

CSM

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

At initial recognition, the CSM is an amount that results in no income arising from:

- (i) the initial recognition of the FCF;
- (ii) cash flows arising from the contracts in the group at that date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

- (j) Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- (i) the Liability for remaining coverage ("LRC"), comprising the FCF related to future service allocated to the group at that date and the CSM of that group at that date; and
- (ii) the Liability for incurred claims ("LIC"), comprising the FCF related to past service allocated to the group at the reporting date.

- (k) Changes in FCF

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

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- (i) changes that relate to current or past service are recognised in profit or loss; and
- (ii) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC.

For insurance contracts under the general measurement model ("GMM"), the following adjustments relate to future service and thus adjust the CSM:

- (i) experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- (ii) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
- (iii) differences between any investment component and loan to policyholder expected to become payable in the period and the actual investment component and the actual loan to policyholder that becomes payable in the period, determined by comparing (i) the actual investment component and loan to policyholder that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
- (iv) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (i), (ii) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

- (i) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- (ii) changes in the FCF relating to the LIC;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(k) Changes in FCF (continued)

- (iii) experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- (iv) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

- (i) changes in the amount of the Group's share of the fair value of the underlying items; and
- (ii) changes in the FCF that do not vary based on the returns of underlying items:
 - 1. changes in the effect of the time value of money and financial risks not arising from the underlying items including the effect of financial guarantees;
 - 2. experience adjustments arising from premiums received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes;
 - 3. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
 - 4. differences between any investment component and loan to policyholder expected to become payable in the period and the actual investment component and the actual loan to policyholder that becomes payable in the period, determined by comparing (i) the actual investment component and loan to policyholder that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
 - 5. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (2)-(5) are measured using the current discount rates.

For the insurance contracts with cash flows that vary based on the returns on any financial underlying items, the Group applies risk-neutral measurement techniques. Stochastic modelling is applied for insurance contracts with significant financial options and guarantees to estimate the expected present value. A large number of possible economic scenarios for market variables such as interest rates and equity returns are considered using risk neutral approach and consistent with market observable price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(k) Changes in FCF (continued)

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

- (i) changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- (ii) changes in the FCF that do not vary based on the returns of underlying items:
 - 1. changes in the FCF relating to the LIC; and
 - 2. experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
 - 3. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Certain investment type insurance products that are measured under the GMM and provide the Group with discretion as to the timing and amount of the cash flows to be paid to the policyholders, a change in discretionary cash flows is regarded as relating to future service and accordingly adjusts the CSM. At inception of such contracts, the Group specifies its commitment as crediting interest to the policyholder's account balance based on the return on a pool of assets less a spread. The effect of discretionary changes in the spread on the FCF adjusts the CSM, while the effect of changes in assumptions that relate to financial risk on this commitment are reflected in insurance finance income or expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(l) Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

- (i) expected incurred claims and other directly attributable expenses for the period;
- (ii) changes in the risk adjustment for non-financial risk for the risk expired; and
- (iii) finance (expenses)/income from insurance contracts issued.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

(m) Initial and subsequent measurement – Groups of contracts measured under the PAA

The Group uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for group life insurance contracts, because each of these contracts has a coverage period of one year or less.

Insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

On initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and the derecognition of any other relevant pre-recognition cash flows.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- (i) the LRC; and
- (ii) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

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

- (i) increased for premiums received in the period;
- (ii) decreased for insurance acquisition cash flows paid in the period;
- (iii) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- (iv) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

The LRC calculated as such is treated as the LRC without loss component for the onerous group of insurance contracts measured under the PAA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

- (m) Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

The Group does not adjust the LRC for insurance contracts issued for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

For contracts measured under the PAA, future cash flows relating to incurred claims and claims handling expenses are not adjusted for the time value of money as these contracts typically have a settlement period of less than one year.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised.

In subsequent periods, the loss component is remeasured at each reporting date in the same way as that for its initial recognition, being the difference between the current estimates of the FCF that relate to the remaining coverage and the carrying amount of the LRC without loss component, subject to minimum of zero. The changes in the amount of loss component are recognised within the insurance service expenses.

- (n) Reinsurance contracts held

Portfolios of reinsurance contract held are assessed for aggregation separately from portfolios of insurance contract issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contract held concluded within a calendar year (annual cohort) into groups of:

- (i) contracts for which there is a net gain at initial recognition, if any;
- (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.

Reinsurance contracts held are recognised as follows:

- (i) a group of reinsurance contracts held that provide proportionate coverage is recognised at the later of:
 - 1. the beginning of the coverage period of the group of reinsurance contracts held; and
 - 2. the initial recognition of any underlying insurance contract;
- (ii) all other groups of reinsurance contracts held are recognised from the earlier of the following:
 - 1. the beginning of the coverage period of the group of reinsurance contracts held;
 - 2. the date an onerous group of underlying insurance contracts applying note 2.10 (b) , if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(n) Reinsurance contracts held (continued)

In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

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

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

Group of reinsurance contracts held measured under the GMM

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or in addition of onerous underlying insurance contracts to that group. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

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

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(n) Reinsurance contracts held (continued)

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- (i) the remaining coverage, comprising:
 - 1. the FCF related to future service allocated to the group at that date; and
 - 2. the CSM of the group at that date; and
- (ii) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Group of reinsurance contracts held measured under the PAA.

For certain groups of reinsurance contracts held that are eligible for the PAA, the Group applies necessary simplifications in measuring the asset for remaining coverage (ARC) by reference to the measurement of the LRC for contracts issued under the PAA as well as taking into account of the specifics of reinsurance contracts held, for example, the ARC under the PAA does not contain a CSM, and the reinsurance contracts held cannot be onerous.

(o) CSM measurement at each reporting period end

For insurance contracts issued under the GMM, at the end of each reporting period the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- (i) The effect of any new contracts added to the group.
- (ii) Interest accreted on the carrying amount of the CSM.
- (iii) Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
- (iv) The effect of any currency exchange differences.
- (v) The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

For insurance contracts issued under the VFA, at the end of each reporting period the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- (i) The effect of any new contracts added to the group.
- (ii) The change in the amount of the entity's share of the fair value of the underlying items, except to the extent that
 - 1. Calculations related to risk mitigation applies
 - 2. The decrease in the amount of the entity's share of the fair value of the underlying items exceeds the carrying amount of the CSM, giving rise to a loss; or
 - 3. The increase in the amount of the entity's share of the fair value of the underlying items reverses the amount in 1.
- (iii) The changes in FCF relating to future service except to the extent that:
 - 1. Calculations related to risk mitigation applies
 - 2. Such increases in the FCF exceed the carrying amount of the CSM, giving rise to a loss; or
 - 3. Such decreases in the FCF are allocated to the loss component of the liability for remaining coverage

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(o) CSM measurement at each reporting period end (continued)

- (iv) The effect of any currency exchange differences.
- (v) The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

(p) Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Group expects these amounts to include an investment return that is achieved by the Group by performing investment activities to generate that investment return.

(q) Insurance Revenue and Expenses

Insurance revenue reflects the consideration to which the Group expects to be entitled in exchange for the services provided on an earned basis.

For insurance contracts measured under the GMM and the VFA, claims and other directly attributable expenses as expected at the beginning of the reporting period and does not include experience adjustments relating to these amounts (insurance service expenses) that arise during the reporting period are recognised as insurance revenue.

However, experience adjustments arising from premium receipts that do not relate to future services and related cash flows are included in insurance revenue.

For insurance contracts measured under the PAA, expected premium receipts are allocated to insurance revenue based on the passage of time, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used.

For insurance contracts measured under the GMM and the VFA, on initial recognition of a group of contracts, the allocated insurance acquisition cash flows decrease the CSM and are thus implicitly deferred within the CSM, leading to a lower amount of CSM amortisation recognised in revenue in future reporting periods as services are rendered. For presentation purposes, directly attributable acquisition costs allocated to a group of contracts are amortised as an insurance service expense in a systematic way on the basis of coverage unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(q) Insurance Revenue and Expenses (continued)

Only items that reflect insurance service expenses (that is, incurred claims and other insurance service expenses arising from insurance contracts that the Group issues) are reported as insurance expenses. Repayment of non-distinct investment components is not presented as an insurance expense but rather as a settlement of an insurance liability.

For insurance contracts issued, a portion of the risk adjustment for nonfinancial risk relating to the LRC is recognised in insurance revenue as the risk is released, while a portion relating to the LIC is recognised in insurance service expenses.

HKFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses. The Group elected to present a single net amount in net expenses from reinsurance contracts held.

(i) Insurance revenue

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

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

Amounts relating to the changes in the LRC:

- a. claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - amounts allocated to the loss component;
 - repayments of investment components;
 - amounts of transaction-based taxes collected in a fiduciary capacity;
 - insurance acquisition expenses; and
 - amounts related to the risk adjustment for non-financial risk (see (b));
- b. changes in the risk adjustment for non-financial risk, excluding:
 - changes that relate to future coverage (which adjust the CSM); and
 - amounts allocated to the loss component;
- c. amounts of the CSM recognised for the services provided in the period;
- d. experience adjustments – arising from premiums received in the period other than those that relate to future service; and
- e. and the recovery of insurance acquisition cash flows, which is determined by allocating a portion of the premium that relates to recovering those cash flows over the coverage period in a systematic way on the basis of the passage of time.

For contracts measured under the PAA, insurance revenue is an allocation of total expected premium to each period of coverage on the basis of the passage of time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(q) Insurance Revenue and Expenses (continued)

(ii) Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims and benefits;
- b. other incurred directly attributable expenses;
- c. insurance acquisition cash flows amortisation;
- d. changes that relate to past service – changes in the FCF relating to the LIC; and
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

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

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

(iii) Net income (expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- a. reinsurance expenses;
- b. incurred claims recovery;
- c. changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- d. effect of changes in the risk of reinsurers' non-performance; and
- e. loss recovery amounts relating to accounting for onerous groups of underlying insurance contracts issued:
 - i. income on initial recognition of onerous underlying contracts;
 - ii. reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
 - iii. reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(q) Insurance Revenue and Expenses (continued)

(iii) Net income (expenses) from reinsurance contracts held (continued)

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

- a. claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
 - amounts allocated to the loss-recovery component;
 - repayments of investment components; and
 - amounts related to the risk adjustment for non-financial risk (see (b));
- b. changes in the risk adjustment for non-financial risk, excluding:
 - changes that relate to future coverage (which adjust the CSM); and
 - amounts allocated to the loss-recovery component;
- c. amounts of the CSM recognised for the services received in the period; and
- d. experience adjustments – arising from premiums paid in the period other than those that relate to future service.

(iv) Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of the groups of insurance contracts arising from the effect of the time value of money financial risk and changes therein, and the effect of movements in exchange rates. This includes changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.10 Insurance and investment contracts (continued)

(q) Insurance Revenue and Expenses (continued)

(iv) Insurance finance income or expenses (continued)

For contracts measured under the GMM with OCI option, disaggregates insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts,

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a. the effect of changes in interest rates and other financial assumptions.

2.11 Current and deferred income taxes

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income. Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Company operates and generates taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full on all taxable temporary differences. Deferred tax assets are recognised on deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is charged or credited in the consolidated income statement except for deferred income tax relating to fair value re-measurement of securities at FVOCI and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the consolidated income statement or in the consolidated statement of comprehensive income together with the realisation of the deferred gain and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.12 Employee benefits

(a) Pension obligations

The Company joined a mandatory provident fund scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Ordinance. Contributions to the MPF Scheme are charged to the consolidated income statement as incurred in accordance with the rules of the scheme and are reduced by the voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully in the voluntary contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company has no further payment obligations once the contributions have been paid. The assets of the MPF scheme are held separately from those of the Company in an independently administered fund.

(b) Employee leave entitlements

Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest-bearing borrowings are subsequently measured at AC, using the effective interest method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expense in the consolidated income statement.

2.15 Revenue recognition for certain revenue items

(a) Insurance revenue

The Group's accounting policy for insurance revenue is disclosed in Note 2.10(q) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Material accounting policies (continued)

2.15 Revenue recognition for certain revenue items (continued)

(b) Interest income

Interest income for all interest-bearing financial instruments, including financial instruments measured at FVTPL, are presented within "interest income/(loss)" in the consolidated income statement. See Note 2.5 for the recognition and measurement of interest income.

(c) Dividend income

Dividend income is recognised for equity investments measured at FVTPL and designated at FVOCI, and presented within "other investment income" in the income statement. See Note 2.5 for the recognition and measurement of dividend income.

2.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.17 Related parties

A party is considered to be related to the Group if:

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

2.18 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Critical estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimate of future benefit payments and premiums arising from insurance contracts

In applying HKFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios, except where stochastic modelling is used to measure financial guarantees. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on population statistics or reinsurance information, adjusted where appropriate to reflect the Group's own experience and relevant reinsurance arrangements. For contracts that insure the risk of longevity, appropriate allowances are made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the premiums. The main source of uncertainty is that epidemics such as AIDS, SARS, avian flu and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

Lapse

Lapses relate to the termination of policies due to non-payment of premiums. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

Estimates are also made for discount rates applied in the measurement of insurance contracts. These estimates are based on current market risk free rates as well as illiquidity premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Critical estimates, and judgements in applying accounting policies (continued)

(b) Determining coverage units

The Group uses the amounts that indicate the sum which policyholders are able to validly claim, such as the contractual cover in each period or number of policies with consideration of policy size as the basis for the quantity of benefits for all insurance coverage, investment-return and investment-related services.

The Group applied judgements in the determination of the coverage units, which impact the CSM amounts that were recognised in the income statement in 2024 and 2023.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- i. the quantity of benefits provided by contracts in the group;
- ii. the expected coverage period of contracts in the group; and
- iii. the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

In performing the above determination, management applied judgement that might impact the CSM carrying values and amounts of the CSM allocation recognised in profit or loss for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Critical estimates, and judgements in applying accounting policies (continued)

(c) Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to relevant market yield information. The illiquidity premium is determined by reference to relevant assets in the portfolio as well as market indices. Discount rates applied for discounting of future cash flows for currencies are listed below:

Insurance contract	2024					2023				
	1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 years	20 years	30 years
USD Par Products	4.78%	5.12%	5.45%	5.74%	4.66%	5.43%	4.52%	4.56%	5.00%	4.65%
USD Non-Par Products	4.84%	5.18%	5.51%	5.81%	4.70%	5.50%	4.59%	4.63%	5.07%	4.72%
USD Universal Life	4.81%	5.15%	5.48%	5.78%	4.68%	5.62%	4.71%	4.75%	5.19%	4.84%
HKD Par Products	4.55%	4.23%	4.45%	4.51%	4.49%	5.01%	4.00%	4.02%	4.20%	4.29%
HKD Non-par products	4.61%	4.29%	4.51%	4.57%	4.54%	5.08%	4.07%	4.09%	4.27%	4.36%
HKD Universal Life	4.58%	4.26%	4.48%	4.54%	4.51%	5.20%	4.19%	4.21%	4.39%	4.48%
CNY Par Products	1.30%	2.14%	2.10%	4.22%	4.64%	2.32%	2.66%	2.84%	3.40%	3.84%
CNY Non-Par Products	1.08%	1.92%	1.88%	4.19%	4.63%	2.51%	2.85%	3.03%	3.53%	3.93%
CNY Universal Life	1.26%	2.10%	2.06%	4.22%	4.63%	2.70%	3.04%	3.22%	3.67%	4.03%
GBP Par Products	5.22%	4.14%	4.64%	4.73%	4.26%	-	-	-	-	-
GBP Non-Par Products	5.28%	4.20%	4.70%	4.79%	4.32%	-	-	-	-	-
GBP Universal Life	5.25%	4.17%	4.67%	4.76%	4.29%	-	-	-	-	-
SGD Par Products	2.72%	2.89%	3.00%	2.62%	3.60%	-	-	-	-	-
SGD Non-Par Products	2.76%	2.89%	3.00%	2.62%	3.60%	-	-	-	-	-
SGD Universal Life	2.73%	2.89%	3.00%	2.62%	3.60%	-	-	-	-	-
EUR Par Products	2.24%	2.25%	2.48%	2.23%	3.55%	-	-	-	-	-
EUR Non-Par Products	2.24%	2.25%	2.48%	2.23%	3.55%	-	-	-	-	-
EUR Universal Life	2.24%	2.25%	2.48%	2.23%	3.55%	-	-	-	-	-
CAD Par Products	4.78%	5.12%	5.45%	5.74%	4.66%	-	-	-	-	-
CAD Non-Par Products	4.84%	5.18%	5.51%	5.81%	4.70%	-	-	-	-	-
CAD Universal Life	4.81%	5.15%	5.48%	5.78%	4.68%	-	-	-	-	-
AUD Par Products	4.78%	5.12%	5.45%	5.74%	4.66%	-	-	-	-	-
AUD Non-Par Products	4.84%	5.18%	5.51%	5.81%	4.70%	-	-	-	-	-
AUD Universal Life	4.81%	5.15%	5.48%	5.78%	4.68%	-	-	-	-	-
USD Class C/G Business	4.11%	4.45%	4.78%	5.07%	3.98%	4.70%	3.79%	3.83%	4.27%	3.92%
HKD Class C/G Business	3.88%	3.56%	3.78%	3.84%	3.82%	4.28%	3.27%	3.29%	3.47%	3.56%
CNY Class C/G Business	1.08%	1.92%	1.88%	4.06%	4.49%	2.07%	2.41%	2.59%	3.12%	3.54%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Critical estimates, and judgements in applying accounting policies (continued)

(d) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Group has estimated the risk adjustment using confidence level technique.

The risk adjustment for life insurance and reinsurance contracts held corresponds to 75% confidence level (2023: 75%).

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024 and 2023.

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques or with reference to available relevant information. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date and to determine the reliability of available relevant information. See more information on the fair value measurement in Note 4.4.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement

4.1 Insurance risk

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group manages these risks through the application of its underwriting strategy, reinsurance arrangements and regular experience monitoring.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten and the Group's underwriting procedures include screening processes, such as the review of health condition and family medical history to ensure alignment with the underwriting strategy.

Within the insurance process, concentrations of risk may arise where a particular event or a series of events could impact heavily on the Group's claim liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and relate to circumstances where significant claim liabilities could arise.

For the in-force insurance contracts, most of the underlying insurance liabilities are related to endowment, universal life, annuity, whole life and unit-linked insurance products. For most of the insurance policies issued, the Group has a retention limit on any single life insured. The Group cedes the excess of the insured benefit over the limit to reinsurer under an excess of loss reinsurance arrangement. For some of the insurance business, the Group has entered into reinsurance arrangements that reinsure most of the insurance risk.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality, morbidity and persistency. In this regard, the Group has conducted relevant experience studies and researches regularly to identify emerging trends. Results would be taken into account in pricing and underwriting management. The results of such studies are also considered in determining the assumptions used in the estimates of FCF.

(a) Change in assumptions

The Group has updated the assumptions for lapse, expense and discount rates to reflect the changes in company experience and market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.1 Insurance risk (continued)

(b) Sensitivity analysis

	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
-10% mortality and morbidity rate						
Insurance contracts	42,582,550	38,773,780	230,948,985	83,527,145	77,088,330	518,456,664
reinsurance contracts held	<u>(14,523,552)</u>	<u>13,100,543</u>	<u>(124,921,612)</u>	<u>(18,516,498)</u>	<u>11,583,576</u>	<u>(230,445,670)</u>
	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
+10% mortality and morbidity rate						
Insurance contracts	(42,109,425)	(38,513,449)	(220,663,145)	(93,016,638)	(87,180,885)	(481,319,829)
reinsurance contracts held	<u>14,321,079</u>	<u>(11,406,786)</u>	<u>117,984,774</u>	<u>17,015,364</u>	<u>(11,014,140)</u>	<u>218,337,670</u>
	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
-10% lapse / surrender rate						
Insurance contracts	(50,051,144)	12,279,725	190,786,241	(35,898,575)	61,298,535	119,650,656
reinsurance contracts held	<u>(5,726,657)</u>	<u>(5,448,684)</u>	<u>3,130,329</u>	<u>(113,241)</u>	<u>(8,871,106)</u>	<u>2,366,340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.1 Insurance risk (continued)

(b) Sensitivity analysis (continued)

	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
+10% lapse / surrender rate						
Insurance contracts	49,821,057	(5,660,028)	(173,114,333)	36,938,474	(49,658,918)	(104,888,073)
reinsurance contracts held	<u>3,979,749</u>	<u>3,822,040</u>	<u>(2,440,426)</u>	<u>(22,148)</u>	<u>7,920,590</u>	<u>(3,128,740)</u>
	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
-10% expense						
Insurance contracts	42,179,110	40,401,535	234,506,127	31,026,284	28,233,779	218,083,058
reinsurance contracts held	<u>(297,073)</u>	<u>(297,030)</u>	<u>297,073</u>	<u>(77,559)</u>	<u>(77,559)</u>	<u>77,559</u>
	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
+10% expense						
Insurance contracts	(42,525,717)	(40,748,220)	(235,009,305)	(49,141,114)	(46,348,791)	(339,440,969)
reinsurance contracts held	<u>270,751</u>	<u>267,615</u>	<u>(270,751)</u>	<u>114,535</u>	<u>114,535</u>	<u>(114,535)</u>

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated, for example, changes in lapse rate, in future mortality rate and morbidity rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk

The Group is exposed to financial risk through its financial instruments, insurance contracts issued and reinsurance contracts held. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most dominant financial risk factor is interest rate risk while there are also some other risk factors such as equity and fund price risk, liquidity risk, currency risk and credit risk.

The risk that the Group primarily faces due to the nature of its investment and liabilities is interest rate risk. The Group manages these positions within an asset and liability management ("ALM") framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. An Asset and Liability Management Committee ("ALCO") was established to focus on the ALM framework of the Group. The ALCO regularly reviews and manages the risks identified at portfolio level. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contracts holders.

4.2.1 Interest-rate risk

Interest-rate risk is the financial risk that causes significant variability on the assets and liabilities categorised in the Group's ALM framework.

(a) Life and annuity and retirement scheme insurance contracts

The Group issues single premium or regular premium contracts with both guaranteed returns and discretionary participating features. The primary financial risk on these contracts is the risk that investment returns from the financial assets backing these contracts are insufficient to fund the guaranteed benefits payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.1 Interest-rate risk (continued)

- (b) Sensitivity analysis on financial instruments & insurance contracts and reinsurance contracts held

Movement of +/- 50 bps interest yields would have the following impacts.

-50 basis points shift in yield curves	2024			2023		
	Increase / (decrease) in profit before tax	Increase / (decrease) in equity before tax	Increase / (decrease) in CSM balance	Increase / (decrease) in profit before tax	Increase / (decrease) in equity before tax	Increase / (decrease) in CSM balance
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Insurance contracts and reinsurance contracts held	(4,182,013,547)	(4,584,418,464)	(423,725,266)	(3,172,373,847)	(3,671,205,632)	(502,556,443)
Financial instruments	4,215,400,408	5,341,801,621	-	3,198,013,143	4,621,194,520	-
Total	33,386,861	757,383,157	(423,725,266)	25,639,296	949,988,888	(502,556,443)

+50 basis points shift in yield curves	2024			2023		
	Increase / (decrease) in profit before tax	Increase / (decrease) in equity before tax	Increase / (decrease) in CSM balance	Increase / (decrease) in profit before tax	Increase / (decrease) in equity before tax	Increase / (decrease) in CSM balance
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Insurance contracts and reinsurance contracts held	3,837,969,408	4,223,330,140	332,266,507	2,903,769,234	3,380,647,459	454,480,479
Financial instruments	(3,870,152,429)	(4,932,000,894)	-	(2,929,371,333)	(4,272,637,231)	-
Total	(32,183,021)	(708,670,754)	332,266,507	(25,602,099)	(891,989,772)	454,480,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial instruments, insurance contracts and reinsurance contracts held as well as the projected cash flows from daily operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of financial instruments and cash and cash equivalents.

(a) Analysis of undiscounted cash flows by contractual maturities

(i) Non-derivative cash flows

The tables below summarise the cash flows of the Group as at 31 December 2024 and 2023 for non-derivative financial assets and liabilities by remaining contractual maturity. Cash flows for non-derivative financial assets and liabilities are presented based on their respective contractual maturity on undiscounted basis.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

(a) Analysis of undiscounted cash flows by contractual maturities (continued)

(i) Non-derivative cash flows (continued)

	2024								
	On demand	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	over 20 years	Indefinite	Total
Assets									
Investment in an associate	-	-	-	-	-	-	-	356,520,065	356,520,065
Financial investments not held by unit-linked fund									
- FVTPL	-	5,668,742,850	6,581,390,176	11,597,041,082	4,127,222,473	5,482,469,464	39,113,848,721	26,187,890,355	98,758,605,121
- AC	-	156,468,269	1,580,025,591	265,748,039	80,382,212	-	121,301,770	-	2,203,925,881
- FVOCI	-	2,321,711,426	17,058,845,818	13,280,419,081	1,215,659,217	1,643,988,019	5,421,901,380	125,494,339	41,068,019,280
Interest and other receivables	2,401,324,071	-	-	-	-	-	-	-	2,401,324,071
Cash and bank	5,571,127,749	3,341,288,060	-	-	-	-	-	-	8,912,415,809
Segregated unit-linked fund assets									
- Financial assets mandatorily measured at FVTPL	-	-	-	-	-	-	-	430,326,735	430,326,735
- Other receivables	22,293	-	-	-	-	-	-	-	22,293
- Cash and bank	722,415	-	-	-	-	-	-	-	722,415
Total assets	7,973,196,528	11,488,210,605	25,220,261,585	25,143,208,202	5,423,263,902	7,126,457,483	44,657,051,871	27,100,231,494	154,131,881,670
Liabilities									
Borrowings	-	3,313,755,843	-	-	-	-	-	-	3,313,755,843
Trade payables and other liabilities (excluding lease liabilities)	873,942,178	8,521,500	13,106,750	-	-	-	-	-	895,570,428
Lease liabilities	-	36,908,047	25,745,531	-	-	-	-	-	62,653,578
Total liabilities	873,942,178	3,359,185,390	38,852,281	-	-	-	-	-	4,271,979,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

(a) Analysis of undiscounted cash flows by contractual maturities (continued)

(i) Non-derivative cash flows (continued)

	2023 (Restated)							Indefinite	Total
	On demand	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	over 20 years		
Assets									
Investment in an associate	-	-	-	-	-	-	-	308,921,251	308,921,251
Financial investments not held by unit-linked fund									
- FVTPL	-	3,207,544,438	10,498,652,055	13,642,987,854	2,152,949,367	6,017,139,027	26,702,611,629	16,165,927,796	78,387,812,166
- AC	-	459,757,377	1,641,722,310	362,832,610	-	-	84,956,174	-	2,549,268,471
- FVOCI	-	3,135,667,556	23,229,764,933	17,500,079,370	521,196,024	2,072,881,215	6,880,660,405	218,297,548	53,558,547,051
Interest and other receivables	2,103,512,936	-	-	-	-	-	-	-	2,103,512,936
Cash and bank	3,538,163,129	946,051,950	-	-	-	-	-	-	4,484,215,079
Segregated unit-linked fund assets									
- Financial assets mandatorily measured at FVTPL	-	-	-	-	-	-	-	366,900,987	366,900,987
- Other receivables	20,193	-	-	-	-	-	-	-	20,193
- Cash and bank	739,778	-	-	-	-	-	-	-	739,778
Total assets	5,642,436,036	7,749,021,321	35,370,139,298	31,505,899,834	2,674,145,391	8,090,020,242	33,668,228,208	17,060,047,582	141,759,937,912
Liabilities									
Borrowings	-	2,855,913,909	-	-	-	-	-	-	2,855,913,909
Trade payables and other liabilities (excluding lease liabilities)	721,725,390	7,302,393	11,128,405	-	-	-	-	-	740,156,188
Lease liabilities	-	22,776,338	22,335,042	-	-	-	-	-	45,111,380
Total liabilities	721,725,390	2,885,992,640	33,463,447	-	-	-	-	-	3,641,181,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

(a) Analysis of undiscounted cash flows by contractual maturities (continued)

(ii) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December 2024 and 2023 for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include equity option whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

		<u>2024</u>					
		0-5 years	5-10 years	10-15 years	15-20 years	over 20 years	Total
Derivative financial liabilities settled on a net basis		-	-	-	-	-	-
Derivative financial instruments settled on a gross basis							
Total inflow		74,486,300,330	-	-	-	-	74,486,300,330
Total outflow		(74,539,076,516)	-	-	-	-	(74,539,076,516)
		<u>2023</u>					
		0-5 years	5-10 years	10-15 years	15-20 years	over 20 years	Total
Derivative financial liabilities settled on a net basis		-	-	-	-	-	-
Derivative financial instruments settled on a gross basis							
Total inflow		70,979,004,764	-	-	-	-	70,979,004,764
Total outflow		(71,164,606,346)	-	-	-	-	(71,164,606,346)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

- (b) Analysis of estimated of present value of future cash flows – insurance contracts and reinsurance contracts held

The tables below summarise the estimated future cash flows of the Group as at 31 December 2024 and 2023 for insurance and reinsurance contracts on a present value basis. The maturities for insurance contracts and reinsurance contracts reflect the dates on which the cash flows are expected to occur.

		2024					Total
		Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	
Liabilities							
Insurance contract liabilities	12,995,589,508	11,474,077,894	11,720,180,223	8,228,561,022	13,113,038,740	222,171,635,279	279,703,082,666
Reinsurance contract liabilities	7,040,987	7,284,441	4,996,425	1,373,782	1,753,344	2,002,497	24,451,476
Total	13,002,630,495	11,481,362,335	11,725,176,648	8,229,934,804	13,114,792,084	222,173,637,776	279,727,534,142
		2023					
		Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Total
Liabilities							
Insurance contract liabilities	9,416,335,246	10,812,817,101	15,444,010,618	6,845,426,270	8,790,296,114	200,146,576,818	251,455,462,167
Reinsurance contract liabilities	156,740,511	148,717,620	154,477,995	69,318,830	29,751,362	80,365,886	639,372,204
Total	9,573,075,757	10,961,534,721	15,598,488,613	6,914,745,100	8,820,047,476	200,226,942,704	252,094,834,371

As at 31 December 2024, the amounts payable on demand of insurance contracts liabilities and reinsurance contract liabilities are HK\$37,450,611,980 (2023: HK\$43,456,294,629) and HK\$4,727,275 (2023: HK\$98,137,954) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.3 Equity and fund price risk

Equity and fund price risk refers to price risk arising from changes in the price of the equity securities, investments on fund (including segregated unit-linked fund) and other alternative investments. The Group performed a sensitivity analysis with the following table which was based on +/-10% change of carrying amount of the investments at the end of the reporting period, with all other variables held constant:

	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
-10% change in equity price						
Insurance contracts and reinsurance contracts held	2,355,411,939	2,355,411,939	(471,082,388)	1,350,077,578	1,350,077,578	(270,015,516)
Financial investments	(2,661,821,710)	(2,661,821,710)	-	(1,653,279,618)	(1,653,279,618)	-
Total	(306,409,771)	(306,409,771)	(471,082,388)	(303,202,040)	(303,202,040)	(270,015,516)

	2024			2023		
	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$	Increase / (decrease) in profit before tax HK\$	Increase / (decrease) in equity before tax HK\$	Increase / (decrease) in CSM balance HK\$
+10% change in equity price						
Insurance contracts and reinsurance contracts held	(2,355,411,939)	(2,355,411,939)	471,082,388	(1,350,077,578)	(1,350,077,578)	270,015,516
Financial investments	2,661,821,710	2,661,821,710	-	1,653,279,618	1,653,279,618	-
Total	306,409,771	306,409,771	471,082,388	303,202,040	303,202,040	270,015,516

4.2.4 Credit risk

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

- default risk associated with financial instruments or counterparties
- credit spread widening as a result of credit migration (downgrade)
- reinsurers' share of unpaid insurance contract liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from insurance contract holders
- amounts due from insurance intermediaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.4 Credit risk (continued)

The Group manages credit risk by placing limits on its exposure to each investment counterparty or issuer. Such limits are subject to annual or more frequent review by Management.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay ceded claims for any reasons, the Group remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing the reinsurers' financial strength prior to finalisation of any contract. Most reinsurers are with good creditworthiness.

Management of the Group directs the Group's reinsurance placement policy and assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The Group also monitors the reinsurance counterparty risk exposure on an ongoing basis.

The debt investments held by the Group do not have collateral or other credit enhancements.

The following table sets out information about credit quality of reinsurance contract assets and financial assets based on Standard & Poor's ("S&P"), Moody's and Fitch's rating. According to the Group's investment strategy, the Group invests most of its assets in debt investments (including debt securities and structured notes) at investment grades or above. The Group considers 'investment grade' to be credit rating of BBB- or above. Assets with an investment grade are considered as having low credit risk.

	2024 HK\$	2023 HK\$ (Restated)
AAA	6,059,679,380	3,779,648,822
AA+ to AA-	26,267,742,333	14,976,428,852
A+ to A-	68,321,570,117	72,473,341,716
BBB+ to BBB-	21,879,443,935	26,107,190,039
Below BBB- (Note)	422,528,539	474,202,556
Not rated	40,009,069,746	50,714,082,812
Total	<u>162,960,034,050</u>	<u>168,524,894,797</u>
Represented by:		
Debt securities at FVTPL	65,313,434,543	58,043,276,328
Debt securities at AC	2,205,487,202	2,550,430,758
Debt securities at FVOCI	40,942,524,948	53,340,249,510
Structured notes at FVTPL	7,257,280,224	4,178,640,666
Interest and other receivables	2,401,492,809	2,103,628,995
Derivative financial assets	48,399,247	31,474,351
Reinsurance contract assets	35,877,887,376	43,792,237,169
Cash and bank	8,913,527,701	4,484,957,020
	<u>162,960,034,050</u>	<u>168,524,894,797</u>

Note: With reference to the Group's investment guideline, the credit rating of the guarantor is also considered in assessing the credit risk. As at 31 December 2024, assets of HK\$ 422,528,539 (2023: HK\$474,202,556) are rated as "Below BBB-". The guarantor of these assets is rated as investment-graded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.5 Currency risk

The Group operates in Hong Kong and issues insurance policies denominated in Hong Kong dollars, United States dollars, Renminbi, Pound Sterling, Singapore dollars, Euro, Canadian dollars and Australian dollars. The Group also accepts reinsurance business denominated in Macau Pataca. The Group's policy is to generally invest in assets denominated in the same currencies as its insurance liabilities, which mitigate the Group's foreign currency exchange rate risk. To manage the currency risk, the Group also enters the foreign currency swap contracts and forward contracts. For certain insurance policies denominated in Renminbi, the Group also enters into coinsurance arrangement, which mitigate the Group's Renminbi exchange rate risk.

As at 31 December 2024 and 2023, the majority of the Group's assets were denominated in Hong Kong dollars, United States dollars and Renminbi dollars. For other currencies, there are minimal exchange rate risk due to small size of business. The currency exposure for key balance sheet items are shown below:

	2024		2023	
	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$
-5% HKD depreciation against CNY				
Insurance contracts and reinsurance contracts held	(603,874,761)	(603,874,761)	(490,185,289)	(490,185,289)
Financial investments	528,993,600	530,873,214	427,059,189	432,371,325
Total	(74,881,161)	(73,001,547)	(63,126,100)	(57,813,964)

	2024		2023	
	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$
+5% HKD appreciation against CNY				
Insurance contracts and reinsurance contracts held	603,874,761	603,874,761	490,185,289	490,185,289
Financial investments	(528,993,600)	(530,873,214)	(427,059,189)	(432,371,325)
Total	74,881,161	73,001,547	63,126,100	57,813,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.5 Currency risk (continued)

	2024		2023	
	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$
-0.5% HKD depreciation against USD				
Insurance contracts and reinsurance contracts held	(258,435,399)	(258,435,399)	(236,017,469)	(236,017,469)
Financial instruments	295,235,493	271,299,993	276,488,795	251,587,522
Total	36,800,094	12,864,594	40,471,326	15,570,053

	2024		2023	
	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity before tax HK\$
+0.5% HKD appreciation against USD				
Insurance contracts and reinsurance contracts held	258,435,399	258,435,399	236,017,469	236,017,469
Financial instruments	(295,235,493)	(271,299,993)	(276,488,795)	(251,587,522)
Total	(36,800,094)	(12,864,594)	(40,471,326)	(15,570,053)

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.5 Currency risk (continued)

Balance Sheet as at 31 December 2024

	HK Dollars HK\$	US Dollars HK\$	Renminbi HK\$	Others HK\$	Total HK\$
Assets					
Property and equipment [#]	83,265,260	-	-	-	83,265,260
Reinsurance contract assets	8,945,153,673	1,620,438,293	25,807,101,964	-	36,372,693,930
Insurance contract assets	(24,728)	1,007,824	46,881	1,392,030	2,422,007
Investment in an associate	-	356,520,065	-	-	356,520,065
Financial investments not held by unit-linked fund					
- FVTPL	12,217,249,944	75,816,855,981	10,628,011,043	96,488,153	98,758,605,121
- AC	699,500,810	1,504,425,071	-	-	2,203,925,881
- FVOCI	2,155,630,732	38,154,681,708	757,706,840	-	41,088,019,280
Interest and other receivables	223,825,227	2,073,901,736	103,597,108	-	2,401,324,071
Other assets [#]	146,635,838	1,441,652	6,643,452	-	154,720,942
Deferred tax assets [#]	994,625,279	-	-	-	994,625,279
Current tax assets [#]	-	-	-	-	-
Derivative financial assets	48,399,247	-	-	-	48,399,247
Bank deposit with original maturity over three months	5,000,000	-	-	-	5,000,000
Cash and cash equivalents	2,119,232,554	4,697,445,852	1,831,973,014	258,764,389	8,907,415,809
Segregated unit-linked fund assets					
- Financial assets mandatorily measured at FVTPL	18,062,164	386,604,174	25,660,397	-	430,326,735
- Other receivables	-	22,293	-	-	22,293
- Cash and bank	-	722,415	-	-	722,415
Total assets	27,656,556,000	124,614,067,064	39,160,740,699	356,644,572	191,788,008,335

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.5 Currency risk (continued)

Balance Sheet as at 31 December 2024 (continued)

	HK Dollars HK\$	US Dollars HK\$	Renminbi HK\$	Others HK\$	Total HK\$
Liabilities					
Insurance contract liabilities	78,527,473,115	53,308,522,016	37,884,644,064	257,130,025	169,977,769,220
Reinsurance contract liabilities	2,077,723	3,865	-	-	2,081,588
Trade payables and other liabilities [#]	589,336,188	273,402,056	90,903,139	2,555,749	956,197,132
Borrowings	3,305,461,391	-	-	-	3,305,461,391
Current tax liabilities [#]	68,053,638	56,342	72,829,517	-	140,939,497
Derivative financial liabilities	23,695,705	186,960,914	-	-	210,656,619
Total liabilities	82,516,097,760	53,768,945,193	38,048,376,720	259,685,774	174,593,105,447
Net on-balance sheet position	(54,859,541,760)	70,845,121,871	1,112,363,979	96,958,798	17,194,902,888
Off-balance sheet net notional position[*]	66,057,531,181	(61,603,312,986)	(793,914,000)	(28,932,091)	3,631,372,104

* Off-balance sheet net notional position represents the net notional amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements.

Property and equipment, other assets, current tax assets & liabilities, deferred tax assets, the provisions in trade payables and other liabilities are non-financial assets and liabilities which are not subject to currency risk.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.5 Currency risk (continued)

Balance Sheet as at 31 December 2023 (Restated)

	HK Dollars HK\$	US Dollars HK\$	Renminbi HK\$	Others HK\$	Total HK\$
Assets					
Property and equipment [#]	66,831,787	-	-	-	66,831,787
Reinsurance contract assets	10,220,881,672	2,056,417,299	31,153,690,583	-	43,430,989,554
Insurance contract assets	15,454	626,813	43,331	824,149	1,509,747
Investment in an associate	-	308,921,251	-	-	308,921,251
Financial investments not held by unit-linked fund					
- FVTPL	10,634,099,353	61,351,964,437	6,401,748,376	-	78,387,812,166
- AC	699,763,982	1,849,504,489	-	-	2,549,268,471
- FVOCI	2,161,697,197	49,169,388,920	2,227,460,934	-	53,558,547,051
Interest and other receivables	123,700,445	1,881,265,042	98,547,449	-	2,103,512,936
Other assets [#]	111,466,043	929,191	10,065,974	-	122,461,208
Deferred tax assets [#]	842,470,363	-	-	-	842,470,363
Current tax assets [#]	33,631,804	-	-	-	33,631,804
Derivative financial assets	31,474,351	-	-	-	31,474,351
Bank deposit with original maturity over three months	5,000,000	-	-	-	5,000,000
Cash and cash equivalents	996,009,380	1,655,075,095	1,826,745,961	1,384,643	4,479,215,079
Segregated unit-linked fund assets					
- Financial assets mandatorily measured at FVTPL	230,525	348,453,272	18,217,190	-	366,900,987
- Other receivables	-	20,193	-	-	20,193
- Cash and bank	-	739,778	-	-	739,778
Total assets	25,927,272,356	118,623,305,780	41,736,519,798	2,208,792	186,289,306,726

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.2 Financial risk (continued)

4.2.5 Currency risk (continued)

Balance Sheet as at 31 December 2023 (continued)

	HK Dollars HK\$	US Dollars HK\$	Renminbi HK\$	Others HK\$	Total HK\$
Liabilities					
Insurance contract liabilities	76,324,251,996	49,259,983,042	40,957,376,214	(1,226,980)	166,540,384,272
Reinsurance contract liabilities	714,396,508	4,038	-	-	714,400,546
Trade payables and other liabilities*	509,012,269	177,759,768	96,814,871	5,908	783,592,816
Borrowings	2,848,830,596	-	-	-	2,848,830,596
Current tax liabilities*	-	-	75,466,043	-	75,466,043
Derivative financial liabilities	121,720,334	-	-	-	121,720,334
Total liabilities	80,518,211,703	49,437,746,848	41,129,657,128	(1,221,072)	171,084,394,607
Net on-balance sheet position	(54,590,939,347)	69,185,558,932	606,862,670	3,429,864	15,204,912,119
Off-balance sheet net notional position*	62,216,965,064	(62,402,566,645)	-	-	(185,601,581)

* Off-balance sheet net notional position represents the net notional amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements.

Property and equipment, other assets, current tax assets & liabilities, deferred tax assets, the provisions in trade payables and other liabilities are non-financial assets and liabilities which are not subject to currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.3 Capital management

The Group's objectives when managing capital are:

- to fully comply with the insurance capital requirements required by the Insurance Authority (the "IA");
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts which are commensurate with the level of risk.

Before 1 July 2024, in Hong Kong, the local insurance regulator specifies the minimum amount that must be held by the Group in addition to its insurance liabilities. The minimum required capital (presented as "solvency margin") must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in Hong Kong in which it issues insurance contracts, and where it has complied with all the local solvency regulations throughout the year.

The IA has developed amendments to the Hong Kong Insurance Ordinance for the implementation of Hong Kong Risk-based Capital regime ("RBC Regime") with an effective date of 1 July 2024. Under the RBC regime, in accordance with the Insurance Ordinance (Cap.41) and the Valuation and Capital Rules, the capital requirement of insurers is determined based on the level of risk identified. The Group ensures at all times that its capital base is not less than each of 1) the prescribed capital amount; 2) the minimum capital amount; and 3) HK\$20,000,000. The minimum capital amount is determined as 50% of the prescribed capital amount ("PCA").

PCA is determined by aggregating the risk capital amounts for each risk module and sub-risk module with respect to market risk, life insurance risk, counterparty default and other risk, and operational risk, taking account of diversification benefits.

Target capital is determined in accordance with the guideline on enterprise risk management (GL21). Target capital is the amount of capital should be maintained to meet the capital needs factoring in the full range of risks to which the insurer is exposed or which it acquires, including those risk that are not captured in the structure of the regulatory capital requirements calculation, or where the regulatory capital stresses do not adequately reflect the level of risk to which the insurer is exposed.

The Group complied with all the regulatory capital requirements throughout both years 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.4 Fair value hierarchy

HKFRSs specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities, funds, debt securities and exchange traded derivatives.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes the majority of the over-the-counter derivative contracts and debt instruments.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes funds with significant unobservable components.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or broker/dealer price quotations. The quoted market price used for financial assets held by the Group is the current bid/ask price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer and broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.4 Fair value hierarchy (continued)

The Group's level 3 financial instruments are principally other alternative investments such as private equity funds and private debt funds, management obtains valuations from the fund managers, and such valuations are determined by comparing the valuations from the fund managers to recent arm's length transactions, fair values of other instruments that are substantially the same, discounted cash flow analysis, or other valuation techniques commonly used by market participants. The fair value of these financial instruments may be based on unobservable inputs which are net asset value of funds and may have significant impact on the valuation of these financial instruments, and therefore, these instruments have been classified by the Group as level 3. The Group has established internal control procedures to control and limit the Group's exposure to such financial instruments.

4.4.1 Financial instruments measured at fair value

	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVTPL				
- Mandatorily measured at FVTPL				
- Debt securities	-	27,093,789,314	-	27,093,789,314
- Structured notes	-	7,257,280,224	-	7,257,280,224
- Equity securities	4,860,679,920	-	-	4,860,679,920
- Funds	7,100,204,909	4,838,385,868	9,818,946,392	21,757,537,169
- Designated at FVTPL				
- Debt securities	2,319,642,051	35,900,003,178	-	38,219,645,229
Derivative financial assets	-	48,399,247	-	48,399,247
Financial assets measured at FVOCI				
- Debt securities	735,631,966	40,206,892,982	-	40,942,524,948
- Equity securities	-	125,494,332	-	125,494,332
Liability				
Derivative financial liabilities	186,960,914	23,695,705	-	210,656,619

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.4 Fair value hierarchy (continued)

4.4.1 Financial instruments measured at fair value (continued)

	2023 (Restated)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVTPL				
- Mandatorily measured at FVTPL				
- Debt securities	-	38,780,239,148	-	38,780,239,148
- Structured notes	-	4,178,640,666	-	4,178,640,666
- Equity securities	4,132,521,769	-	-	4,132,521,769
- Funds	3,421,323,320	1,518,694,645	7,460,256,425	12,400,274,390
- Designated at FVTPL				
- Debt securities	1,768,797,549	17,494,239,631	-	19,263,037,180
Derivative financial assets	-	31,474,351	-	31,474,351
Financial assets measured at FVOCI				
- Debt securities	530,974,604	52,809,274,906	-	53,340,249,510
- Equity securities	-	218,297,541	-	218,297,541
Liabilities				
Derivative financial liabilities	-	121,720,334	-	121,720,334

4.4.2 Financial instruments not measured at fair value but fair value disclosed

	2024			
	Level 1	Level 2	Level 3	Total
Asset				
AC – Debt securities	-	2,155,483,300	-	2,155,483,300
	2023			
	Level 1	Level 2	Level 3	Total
Asset				
AC – Debt securities	-	2,495,119,909	-	2,495,119,909

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.4 Fair value hierarchy (continued)

4.4.3 Reconciliation of level 3 items

	Financial assets mandatorily measured at FVTPL – Debt securities	Financial assets mandatorily measured at FVTPL – Structured notes	Financial assets mandatorily measured at FVTPL – Funds	Financial assets at FVOCI– Debt securities	Total
Balance as at 1 January 2024	-	-	7,460,256,425	-	7,460,256,425
Total losses recognised in					
- Consolidated income statement					
- Net investment loss	-	-	(226,931,505)	-	(226,931,505)
Purchases	-	-	3,027,417,218	-	3,027,417,218
Sales	-	-	(441,795,746)	-	(441,795,746)
Balance as at 31 December 2024	-	-	9,818,946,392	-	9,818,946,392
Total unrealised losses for the year included in the consolidated income statement for assets held as at 31 December 2024	-	-	(226,931,505)	-	(226,931,505)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Risk, capital management and fair value measurement (continued)

4.4 Fair value hierarchy (continued)

4.4.3 Reconciliation of level 3 items (continued)

	Financial assets mandatorily measured at FVTPL – Debt securities	Financial assets mandatorily measured at FVTPL – Structured notes	Financial assets mandatorily measured at FVTPL – Funds	Financial assets at FVOCI– Debt securities	Total
Balance as at 1 January 2023	1,753,010,944	62,469,789	6,670,303,452	731,991,580	9,217,775,765
Total gains / (losses) recognised in - Consolidated income statement - Net investment income / (loss)	24,447,947	(18,069,645)	404,186,509	-	410,564,811
Transferred out of Level 3	(1,777,458,891)	-	-	(731,991,580)	(2,509,450,471)
Purchases	-	-	385,766,464	-	385,766,464
Sales	-	(44,400,144)	-	-	(44,400,144)
Balance as at 31 December 2023	-	-	7,460,256,425	-	7,460,256,425
Total unrealised gains for the year included in the consolidated income statement for assets held as at 31 December 2023	-	-	404,186,509	-	404,186,509

During the year ended 31 December 2024, the Group did not transfer any debt securities mandatorily measured at FVTPL and debt securities at FVOCI. There was transfer out of level 3 for debt securities measured at FVTPL and debt securities at FVOCI during 2023, due to change of valuation input observability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Property and equipment

	Leasehold improvements	Office furniture and equipment	Computer equipment	Work-in- progress	Right-of-use asset - Properties	Right-of-use asset - Other assets	Total
Year ended 31 December 2024							
Opening net book amount	14,703,522	2,568,042	2,071,748	-	43,401,981	4,086,494	66,831,787
Additions	-	1,657,423	595,305	8,024,267	58,874,906	877,222	70,029,123
Transfer in/(out)	7,763,537	-	-	(7,763,537)	-	-	-
Disposals	-	(85,859)	(271,031)	-	-	-	(356,890)
Accumulated depreciation - written back on disposal	-	73,215	270,991	-	-	-	344,206
Depreciation	(8,220,074)	(779,572)	(758,506)	-	(42,098,408)	(1,726,406)	(53,582,966)
Closing net book amount	14,246,985	3,433,249	1,908,507	260,730	60,178,479	3,237,310	83,265,260
At 31 December 2024							
Cost	59,817,997	12,764,424	13,547,828	260,730	126,360,818	5,662,149	218,413,946
Accumulated depreciation	(45,571,012)	(9,331,175)	(11,639,321)	-	(66,182,339)	(2,424,839)	(135,148,686)
Net book amount	14,246,985	3,433,249	1,908,507	260,730	60,178,479	3,237,310	83,265,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Property and equipment (continued)

	Leasehold improvements	Office furniture and equipment	Computer equipment	Work-in- progress	Right-of-use asset - Properties	Right-of-use asset - Other assets	Total
Year ended 31 December 2023							
Opening net book amount	2,444,922	2,297,269	1,930,589	5,716,182	69,238,213	2,260,266	83,887,441
Additions	1,189,238	405,796	547,541	13,062,680	19,709,577	3,580,794	38,495,626
Transfer in/(out)	17,079,862	1,009,000	690,000	(18,778,862)	-	-	-
Disposals	(12,646,006)	(1,321,925)	(248,484)	-	-	-	(14,216,415)
Accumulated depreciation - written back on disposal	11,758,946	914,514	148,237	-	-	-	12,821,697
Depreciation	(5,123,440)	(736,612)	(996,135)	-	(45,545,809)	(1,754,566)	(54,156,562)
Closing net book amount	14,703,522	2,568,042	2,071,748	-	43,401,981	4,086,494	66,831,787
At 31 December 2023							
Cost	52,054,460	11,192,860	13,223,554	-	128,505,653	5,787,381	210,763,908
Accumulated depreciation	(37,350,938)	(8,624,818)	(11,151,806)	-	(85,103,672)	(1,700,887)	(143,932,121)
Net book amount	14,703,522	2,568,042	2,071,748	-	43,401,981	4,086,494	66,831,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments

Financial assets at FVTPL include the following:

	2024	2023 (Restated)
Financial assets mandatorily measured at FVTPL		
Listed securities:		
- Equity shares - Hong Kong	2,567,486,180	2,749,515,399
- Equity shares - Overseas	2,293,193,740	1,383,006,370
- Debt securities - Hong Kong	6,668,087,746	11,369,836,623
- Debt securities - Overseas	15,869,141,936	22,484,028,694
- Funds	6,396,225,554	3,421,326,640
Total fair value of listed securities	33,794,135,156	41,407,713,726
Unlisted securities:		
- Debt securities	4,556,559,632	4,926,373,831
- Funds	14,930,984,880	8,612,046,763
- Structured notes	7,257,280,224	4,178,640,666
Total fair value of unlisted securities	26,744,824,736	17,717,061,260
Segregated unit-linked fund assets- funds	430,326,735	366,900,987
Total fair value of financial investments mandatorily measured at FVTPL	60,969,286,627	59,491,675,973
Financial assets designated at FVTPL		
Listed securities:		
- Debt securities - Hong Kong	3,412,629,048	1,497,656,633
- Debt securities - Overseas	30,197,294,615	15,678,413,179
Total fair value of listed securities	33,609,923,663	17,176,069,812
Unlisted securities:		
- Debt securities	4,609,721,566	2,086,967,368
Total fair value of unlisted securities	4,609,721,566	2,086,967,368
Total fair value of financial assets designated at FVTPL	38,219,645,229	19,263,037,180
Total	99,188,931,856	78,754,713,153

As at 31 December 2024 and 2023, the credit risk of these financial assets has not been hedged by the use of credit derivatives or similar instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets at FVTPL include the following (continued):

The table below shows the credit quality for debt securities and structured notes mandatorily measured at FVTPL and designated at FVTPL.

Financial assets mandatorily measured at FVTPL:

	2024	2023 (Restated)
AAA	589,454,499	651,933,014
AA+ to AA-	4,340,939,397	4,062,663,690
A+ to A-	23,326,399,424	29,277,564,293
BBB+ to BBB-	5,352,429,848	8,099,750,942
Below BBB-	-	-
Not rated	741,846,370	866,967,875
Total	<u>34,351,069,538</u>	<u>42,958,879,814</u>

Financial assets designated at FVTPL:

	2024	2023
AAA	3,951,748,479	1,795,762,470
AA+ to AA-	9,085,319,407	2,773,967,081
A+ to A-	21,162,212,337	11,945,560,706
BBB+ to BBB-	3,912,025,365	2,639,610,243
Below BBB-	-	-
Not rated	108,339,641	108,136,680
Total	<u>38,219,645,229</u>	<u>19,263,037,180</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets measured at AC include the following:

	2024	2023
Listed securities:		
- Debt securities - Hong Kong	604,964,347	894,615,058
- Debt securities - Overseas	822,749,990	877,566,179
Gross carrying amount of listed debt securities	<u>1,427,714,337</u>	<u>1,772,181,237</u>
Unlisted securities:		
- Debt securities	777,772,865	778,249,521
Gross carrying amount of unlisted debt securities	<u>777,772,865</u>	<u>778,249,521</u>
Less: allowance for ECLs	(1,561,321)	(1,162,287)
Total	<u><u>2,203,925,881</u></u>	<u><u>2,549,268,471</u></u>

The table below shows the credit quality and the year-end stage classification. The amounts presented are gross of impairment allowance.

	As at 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-
AA+ to AA-	121,332,535	-	-	121,332,535
A+ to A-	1,323,754,115	-	-	1,323,754,115
BBB+ to BBB-	760,400,552	-	-	760,400,552
Below BBB-	-	-	-	-
Not rated	-	-	-	-
Total	<u><u>2,205,487,202</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,205,487,202</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets measured at AC include the following: (continued)

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-
AA+ to AA-	12,561,775	-	-	12,561,775
A+ to A-	1,604,280,054	-	-	1,604,280,054
BBB+ to BBB-	933,588,929	-	-	933,588,929
Below BBB-	-	-	-	-
Not rated	-	-	-	-
Total	2,550,430,758	-	-	2,550,430,758

An analysis of changes in gross carrying amount and the corresponding ECL allowance is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	2,550,430,758	-	-	2,550,430,758
New assets originated or purchased	118,188,243	-	-	118,188,243
Assets derecognised or repaid (excluding write offs)	(461,351,723)	-	-	(461,351,723)
Amortisation	5,113,917	-	-	5,113,917
Foreign exchange adjustments	(6,893,993)	-	-	(6,893,993)
At 31 December 2024	2,205,487,202	-	-	2,205,487,202

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	2,806,226,935	-	-	2,806,226,935
New assets originated or purchased	85,214,365	-	-	85,214,365
Assets derecognised or repaid (excluding write offs)	(347,317,300)	-	-	(347,317,300)
Amortisation	1,840,706	-	-	1,840,706
Foreign exchange adjustments	4,466,052	-	-	4,466,052
At 31 December 2023	2,550,430,758	-	-	2,550,430,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets measured at AC include the following (continued):

An analysis of changes in gross carrying amount and the corresponding ECL allowance is, as follows:
(continued)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2024	1,162,287	-	-	1,162,287
Increase in remeasurement of loss allowance arising from same stage	615,630	-	-	615,630
Assets derecognised or repaid (excluding write offs)	(168,574)	-	-	(168,574)
Decrease in remeasurement of loss allowance arising from same stage	(43,035)	-	-	(43,035)
Foreign exchange adjustments	(4,987)	-	-	(4,987)
At 31 December 2024	<u>1,561,321</u>	<u>-</u>	<u>-</u>	<u>1,561,321</u>

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	1,478,593	-	-	1,478,593
Increase in remeasurement of loss allowance arising from same stage	41,093	-	-	41,093
Assets derecognised or repaid (excluding write offs)	(171,701)	-	-	(171,701)
Decrease in remeasurement of loss allowance arising from same stage	(186,790)	-	-	(186,790)
Foreign exchange adjustments	1,092	-	-	1,092
At 31 December 2023	<u>1,162,287</u>	<u>-</u>	<u>-</u>	<u>1,162,287</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets measured at FVOCI include the following:

	2024	2023 (Restated)
Listed securities:		
- Equity instruments - Hong Kong	125,494,332	218,297,541
- Debt securities - Hong Kong	15,919,180,221	17,834,555,055
- Debt securities - Overseas	20,532,045,495	28,292,702,693
Total fair value of listed securities	<u>36,576,720,048</u>	<u>46,345,555,289</u>
Unlisted securities:		
- Debt securities	4,491,299,232	7,212,991,762
Total fair value of unlisted securities	<u>4,491,299,232</u>	<u>7,212,991,762</u>
Total	<u><u>41,068,019,280</u></u>	<u><u>53,558,547,051</u></u>

Equity instruments designated at FVOCI are analysed by type of issuer as follows:

	2024	2023
- Public sector	125,494,332	121,691,765
- Corporate entities	-	96,605,776
	<u>125,494,332</u>	<u>218,297,541</u>

The Group has designated its equity investments measured at FVOCI on the basis that these are held for strategic purpose.

The sales of certain equity investments measured at FVOCI were made because of portfolio rebalancing to reduce price risk and increase portfolio dividend level. The fair value of the investments at the dates of derecognition was HK\$98,790,175 (2023: HK\$42,182,886).

The table below shows the credit quality and the year-end stage classification of debt securities. The amounts presented are their carrying value.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
AAA	1,458,239,397	-	-	1,458,239,397
AA+ to AA-	4,907,428,409	-	-	4,907,428,409
A+ to A-	21,524,938,080	-	-	21,524,938,080
BBB+ to BBB-	10,432,337,815	-	-	10,432,337,815
Below BBB-	419,950,172	-	-	419,950,172
Not rated	2,199,631,075	-	-	2,199,631,075
Total	<u><u>40,942,524,948</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>40,942,524,948</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets measured at FVOCI include the following (continued):

	31 December 2023 (Restated)			
	Stage 1	Stage 2	Stage 3	Total
AAA	1,297,257,456	-	-	1,297,257,456
AA+ to AA-	5,339,913,265	-	-	5,339,913,265
A+ to A-	27,657,756,556	-	-	27,657,756,556
BBB+ to BBB-	13,663,602,163	-	-	13,663,602,163
Below BBB-	-	471,120,957	-	471,120,957
Not rated	4,910,599,113	-	-	4,910,599,113
Total	52,869,128,553	471,120,957	-	53,340,249,510

An analysis of changes in gross carrying amount and the corresponding ECL allowance is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	57,726,544,898	526,858,066	-	58,253,402,964
Transfer from Stage 2 to Stage 1	526,858,066	(526,858,066)	-	-
New assets originated or purchased	16,569,899,015	-	-	16,569,899,015
Assets derecognised or repaid (excluding write offs)	(28,778,695,522)	-	-	(28,778,695,522)
Amortisation	76,396,685	-	-	76,396,685
Foreign exchange adjustments	(365,705,376)	-	-	(365,705,376)
At 31 December 2024	45,755,297,766	-	-	45,755,297,766
Restated	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	55,074,399,883	591,537,934	-	55,665,937,817
New assets originated or purchased	17,065,223,155	-	-	17,065,223,155
Assets derecognised or repaid (excluding write offs)	(14,336,481,974)	(52,519,175)	-	(14,389,001,149)
Amortisation	65,395,295	(1,884,147)	-	63,511,148
Foreign exchange adjustments	(141,991,461)	(10,276,546)	-	(152,268,007)
At 31 December 2023	57,726,544,898	526,858,066	-	58,253,402,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets measured at FVOCI include the following (continued):

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2024	33,932,746	3,376,490	-	37,309,236
Transfer from Stage 2 to Stage 1	3,376,490	(3,376,490)	-	-
Increase in remeasurement of loss allowance arising from same stage	10,280,130	-	-	10,280,130
Assets derecognised or repaid (excluding write offs)	(9,254,984)	-	-	(9,254,984)
Decrease in remeasurement of loss allowance arising from same stage	(2,414,965)	-	-	(2,414,965)
Foreign exchange adjustments	(128,854)	-	-	(128,854)
At 31 December 2024	<u>35,790,563</u>	<u>-</u>	<u>-</u>	<u>35,790,563</u>
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	31,460,161	4,406,467	-	35,866,628
Increase in remeasurement of loss allowance arising from same stage	7,874,815	-	-	7,874,815
Assets derecognised or repaid (excluding write offs)	(3,306,495)	(411,838)	-	(3,718,333)
Decrease in remeasurement of loss allowance arising from same stage	(2,118,294)	(622,236)	-	(2,740,530)
Foreign exchange adjustments	22,559	4,097	-	26,656
At 31 December 2023	<u>33,932,746</u>	<u>3,376,490</u>	<u>-</u>	<u>37,309,236</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Financial investments (continued)

Financial assets and liabilities - derivatives including the following:

		As at 31 December 2024	
		Assets	Liabilities
Foreign currency forwards		2,950,799	2,770,753
Foreign currency swaps		45,448,448	20,924,952
Bond futures		-	186,960,914
Total		48,399,247	210,656,619
		As at 31 December 2023	
		Assets	Liabilities
Foreign currency forwards		10,747,502	31,609,942
Foreign currency swaps		20,726,849	90,110,392
Total		31,474,351	121,720,334

Notional amount of derivatives financial instruments

		2024	2023
Contract type			
- Foreign currency forwards	HKD	3,561,806,725	4,023,274,000
	USD	2,096,360,190	17,211,088,769
	CNY	105,855,200	-
	GBP	19,493,152	-
- Foreign currency swaps	HKD	485,323,237	350,416,800
	USD	67,485,691,059	49,579,826,777
	CNY	688,058,800	-
	EUR	96,488,153	-
- Bond futures	USD	3,684,148,289	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investment in an associate

	2024	2023
At 1 January	308,921,251	-
Addition	25,221,467	308,921,251
Share of results	22,377,347	-
	<u>356,520,065</u>	<u>308,921,251</u>
At 31 December	<u>356,520,065</u>	<u>308,921,251</u>

Name	Place of incorporation/ operation	Issued share capital	Interest held	Principal activities
GBA Equity Fund II LPF	Hong Kong, China	NA*	20%	Fund

*There is no share capital concept in Fund. As of 31 December 2024, The Group invested USD 42,634,336 to the fund (31 December 2023: USD 39,402,215).

8 Interest and other receivables

	2024	2023
Interest receivables	1,392,514,125	1,371,255,556
Investment receivables	992,324,597	716,922,980
Other receivables	16,631,794	15,430,266
	<u>2,401,470,516</u>	<u>2,103,608,802</u>
Total interest and other receivables		
Segregated unit-linked fund assets - other receivables	22,293	20,193
	<u>2,401,492,809</u>	<u>2,103,628,995</u>
Less: allowance for ECLs	(146,445)	(95,866)
	<u>2,401,346,364</u>	<u>2,103,533,129</u>

The carrying values of the above interest and other receivables approximate their estimated fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Other assets

	2024	2023
- Intangible assets	101,460,479	87,820,419
- Prepayments	53,260,463	34,640,789
	<u>154,720,942</u>	<u>122,461,208</u>

Intangible assets are analysed as follows:

	Application software	Work-in- progress	Total
Year ended 31 December 2024			
Opening net book amount	82,464,464	5,355,955	87,820,419
Additions	-	46,116,846	46,116,846
Transfer in/(out)	48,959,275	(48,959,275)	-
Disposals	-	(512,153)	(512,153)
Amortisation	(31,964,633)	-	(31,964,633)
Closing net book amount	<u>99,459,106</u>	<u>2,001,373</u>	<u>101,460,479</u>
At 31 December 2024			
Cost	258,928,660	2,001,373	260,930,033
Accumulated amortisation	(159,469,554)	-	(159,469,554)
Net book amount	<u>99,459,106</u>	<u>2,001,373</u>	<u>101,460,479</u>
Year ended 31 December 2023			
Opening net book amount	80,414,034	2,396,630	82,810,664
Additions	-	31,868,355	31,868,355
Transfer in/(out)	28,909,030	(28,909,030)	-
Amortisation	(26,858,600)	-	(26,858,600)
Closing net book amount	<u>82,464,464</u>	<u>5,355,955</u>	<u>87,820,419</u>
At 31 December 2023			
Cost	209,969,385	5,355,955	215,325,340
Accumulated amortisation	(127,504,921)	-	(127,504,921)
Net book amount	<u>82,464,464</u>	<u>5,355,955</u>	<u>87,820,419</u>

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Cash and bank

	2024	2023
Cash at bank and other financial institutions	5,571,517,226	3,538,165,292
Short-term bank deposits	3,336,288,060	941,051,950
Bank deposit with original maturity over three months	5,000,000	5,000,000
	8,912,805,286	4,484,217,242
Segregated unit-linked fund assets		
- cash and bank	722,415	739,778
Less: allowance for ECLs	(394,477)	(7,163)
Cash in hand	5,000	5,000
	<u>8,913,138,224</u>	<u>4,484,954,857</u>

11 Share capital

	2024	2023
Issued and fully paid:		
353,800,000 ordinary shares	<u>3,538,000,000</u>	<u>3,538,000,000</u>

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held

12.1 Reconciliation of remaining coverage and incurred claims for insurance contracts issued

Insurance contracts issued	2024				2023			
	Liabilities for remaining coverage		Total	Liabilities for incurred claims	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening insurance contract liabilities	175,050,468,800	625,195,096	176,006,428,227	330,764,331	168,207,460,433	160,008,476	409,470,160	168,776,939,069
Opening insurance contract assets	(5,352,613)	4,899	(1,509,747)	3,837,967	(3,097,228)	8,398	565,983	(2,522,847)
Net balance as at 1 January	175,045,116,187	625,199,995	176,004,918,480	334,602,298	168,204,363,205	160,016,874	410,036,143	168,774,416,222
Insurance revenue	(2,693,697,160)	-	(2,693,697,160)	-	(1,917,649,355)	-	-	(1,917,649,355)
Insurance service expenses	619,231,439	413,888,689	1,635,368,703	602,248,575	281,562,341	416,928,223	618,223,576	1,316,714,140
Incurred claims and other directly attributable expenses	-	(11,216,123)	595,837,526	607,053,649	-	(5,584,415)	630,842,370	625,257,955
Amortisation of insurance acquisition cash flows	619,231,439	-	619,231,439	-	281,562,341	-	-	281,562,341
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	(4,805,074)	(4,805,074)	-	-	(12,618,794)	(12,618,794)
Losses for the net outflow recognised on initial recognition	-	138,275,329	138,275,329	-	-	69,047,476	-	69,047,476
Losses on onerous contracts and reversals of those losses	-	286,829,483	286,829,483	-	-	353,465,162	-	353,465,162
Insurance service result	(2,074,465,721)	413,888,689	(1,058,328,457)	602,248,575	(1,636,087,014)	416,928,223	618,223,576	(600,935,215)
Finance expenses from insurance contracts issued	5,586,028,993	53,469,355	5,639,498,348	-	8,910,523,994	83,125,762	-	8,993,649,756
Effect of movements in exchange rates	(1,712,716,829)	(8,989,791)	(1,725,091,864)	(3,385,244)	(863,609,663)	(34,870,864)	(4,549,768)	(903,030,295)
Total insurance finance income or expenses	3,873,312,164	44,479,564	3,914,406,484	(3,385,244)	8,046,914,331	48,254,898	(4,549,768)	8,090,619,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.1 Reconciliation of remaining coverage and incurred claims for insurance contracts issued (continued)

Insurance contracts issued	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	<u>Excluding loss component</u>	<u>Loss component</u>	<u>Liabilities for incurred claims</u>	<u>Total</u>	<u>Excluding loss component</u>	<u>Loss component</u>	<u>Liabilities for incurred claims</u>	<u>Total</u>
Total amounts recognised in comprehensive income	1,798,846,443	458,368,253	598,863,331	2,856,078,027	6,410,827,317	465,183,121	613,673,808	7,489,684,246
Investment components	(31,926,945,401)	-	31,926,945,401	-	(22,341,542,054)	-	22,341,542,054	-
Cash flows								
Premiums received	37,673,905,149	-	-	37,673,905,149	25,763,805,953	-	-	25,763,805,953
Claims and other directly attributable expenses paid	-	-	(32,540,919,046)	(32,540,919,046)	-	-	(23,030,649,707)	(23,030,649,707)
Insurance acquisition cash flows	(3,887,453,353)	-	-	(3,887,453,353)	(2,992,338,234)	-	-	(2,992,338,234)
Total cash flows	33,786,451,796	-	(32,540,919,046)	1,245,532,750	22,771,467,719	-	(23,030,649,707)	(259,181,988)
Net balances as at 31 December	178,703,469,025	1,083,568,248	319,491,984	180,106,529,257	175,045,116,187	625,199,995	334,602,298	176,004,918,480
Closing insurance contract liabilities								
- PAA	178,705,423,479	1,083,551,521	319,481,984	180,108,456,984	175,050,468,800	625,195,096	330,764,331	176,006,428,227
	(5,274,726)	-	5,925,684	650,958	(8,099,426)	-	19,680,044	11,580,618
- non-PAA	178,710,698,205	1,083,551,521	313,556,300	180,107,806,026	175,058,568,226	625,195,096	311,084,287	175,994,847,609
	(1,954,454)	16,727	10,000	(1,927,727)	(5,352,613)	4,899	3,837,967	(1,509,747)
Closing insurance contract assets								
- PAA	(1,392,067)	-	-	(1,392,067)	(4,691,298)	-	3,832,040	(859,258)
- non-PAA	(562,387)	16,727	10,000	(535,660)	(661,315)	4,899	5,927	(650,489)
Net balances as at 31 December	178,703,469,025	1,083,568,248	319,491,984	180,106,529,257	175,045,116,187	625,199,995	334,602,298	176,004,918,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.2 Reconciliation of the measurement components of insurance contracts issued (Non-PAA only)

	2024				2023			
Insurance contracts issued	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening insurance contract liabilities	166,182,105,178	347,209,604	9,465,532,827	175,994,847,609	157,894,960,772	339,206,964	10,537,048,136	168,771,215,872
Opening insurance contract assets	(1,424,111)	262,494	511,128	(650,489)	(1,307,304)	255,364	335,268	(716,672)
Net balance as at 1 January	166,180,681,067	347,472,098	9,466,043,955	175,994,197,120	157,893,653,468	339,462,328	10,537,383,404	168,770,499,200
Changes that relate to current service								
CSM recognised for the service provided	-	-	(1,351,773,707)	(1,351,773,707)	-	-	(1,036,463,037)	(1,036,463,037)
Change in the risk adjustment for non-financial risk for the risk expired	-	(41,215,241)	-	(41,215,241)	-	(22,812,668)	-	(22,812,668)
Experience adjustments	(62,344,082)	-	-	(62,344,082)	62,341,357	-	-	62,341,357
	(62,344,082)	(41,215,241)	(1,351,773,707)	(1,455,333,030)	62,341,357	(22,812,668)	(1,036,463,037)	(996,934,348)
Changes that relate to future service								
Contracts initially recognised in the year	(2,057,795,910)	76,135,847	2,119,935,392	138,275,329	(1,466,749,128)	43,913,074	1,491,883,530	69,047,476
Changes in estimates that adjust the CSM	183,987,984	(26,957,608)	(157,030,376)	-	1,620,667,811	(21,381,452)	(1,599,286,359)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.2 Reconciliation of the measurement components of insurance contract issued (Non-PAA only) (continued)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12.2 Reconciliation of the measurement components of insurance contract issued (Non-PAA only) (continued)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.3 Reconciliation of remaining coverage and incurred claims of reinsurance contracts held

Reinsurance contracts held	2024				2023			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss- recovery component	Loss- recovery component	Assets for incurred claims	Total	Excluding loss- recovery component	Loss- recovery component	Assets for incurred claims	Total
Opening reinsurance contract assets	41,938,452,507	162,028,961	1,691,755,701	43,792,237,169	47,743,193,891	96,545,461	974,933,312	48,814,672,664
Opening reinsurance contract liabilities	(709,855,727)	38,114	(4,582,933)	(714,400,546)	(874,886,760)	-	108,856,141	(766,030,619)
Net balance as at 1 January	41,228,596,780	162,067,075	1,687,172,768	43,077,836,623	46,868,307,131	96,545,461	1,083,789,453	48,048,642,045
Net income/(expenses) from reinsurance contracts held								
Total allocation of premiums paid and total amounts recovered from reinsurance	80,376,838	112,769,873	75,222,434	268,369,145	(24,055,250)	44,003,746	79,057,475	99,005,971
CSM recognised for services received	174,791,644	-	-	174,791,644	77,624,600	-	-	77,624,600
Change in risk adjustment for non-financial risk for risk transferred	(5,643,468)	-	-	(5,643,468)	(5,534,322)	-	-	(5,534,322)
Expected recoveries of incurred claims and other insurance service expense	(76,492,635)	-	-	(76,492,635)	(74,670,862)	-	-	(74,670,862)
Total allocation of premiums paid (PAA)	(12,278,703)	-	-	(12,278,703)	(21,474,666)	-	-	(21,474,666)
Recoveries of incurred claims and other insurance service expense	-	(118,050)	49,709,969	49,591,919	-	(165,034)	69,583,774	69,418,740
Changes related to past service (changes related to incurred claims component)	-	-	25,512,465	25,512,465	-	-	9,473,701	9,473,701
Recoveries of losses on onerous underlying contracts on initial recognition	-	72,358,690	-	72,358,690	-	32,225,995	-	32,225,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.3 Reconciliation of remaining coverage and incurred claims of reinsurance contracts held (continued)

Reinsurance contracts held	2024				2023			
	Assets for remaining coverage		Assets for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component			Excluding loss-recovery component	Loss-recovery component		
Recoveries and reversals of recoveries of losses on onerous underlying contracts - subsequent measurement	-	40,529,233	-	40,529,233	-	11,942,785	-	11,942,785
Effect of changes in non-performance risk of reinsurers	4,220,648	-	-	4,220,648	9,649,749	-	-	9,649,749
Net income / (expenses) from reinsurance contracts held	84,597,486	112,769,873	75,222,434	272,589,793	(14,405,501)	44,003,746	79,057,475	108,655,720
Finance income / (expense) from reinsurance contracts held	660,185,272	13,765,921	(83,390,595)	590,560,598	1,077,230,877	21,517,868	32,094,907	1,130,843,652
Total amounts recognised in comprehensive income	744,782,758	126,535,794	(8,168,161)	863,150,391	1,062,825,376	65,521,614	111,152,382	1,239,499,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.3 Reconciliation of remaining coverage and incurred claims of reinsurance contracts held (continued)

Reinsurance contracts held	2024				2023			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss- recovery component	Loss- recovery component	Assets for incurred claims	Total	Excluding loss- recovery component	Loss- recovery component	Assets for incurred claims	Total
Investment components	(12,207,349,719)	-	12,207,349,719	-	(9,905,504,074)	-	9,905,504,074	-
Cash flows								
Net premiums paid	3,017,905,241	-	-	3,017,905,241	3,202,968,347	-	-	3,202,968,347
Recoveries from reinsurance	-	-	(11,110,019,040)	(11,110,019,040)	-	-	(9,413,273,141)	(9,413,273,141)
Total cash flows	3,017,905,241	-	(11,110,019,040)	(8,092,113,799)	3,202,968,347	-	(9,413,273,141)	(6,210,304,794)
Net balances as at 31 December	32,783,935,060	288,602,869	2,776,335,286	35,848,873,215	41,228,596,780	162,067,075	1,687,172,768	43,077,836,623
Closing reinsurance contract assets	32,738,973,645	288,590,471	2,850,323,260	35,877,887,376	41,938,452,507	162,028,961	1,691,755,701	43,792,237,169
Closing reinsurance contract liabilities	44,961,415	12,398	(73,987,974)	(29,014,161)	(709,855,727)	38,114	(4,582,933)	(714,400,546)
Net balances as at 31 December	32,783,935,060	288,602,869	2,776,335,286	35,848,873,215	41,228,596,780	162,067,075	1,687,172,768	43,077,836,623

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12 Insurance contracts and reinsurance contracts held (continued)

12.4 Reconciliation of the measurement components of reinsurance contract held (Non-PAA only) (continued)

	2024		2023	
Reinsurance contracts held				
Cash flows				
Net premium paid	2,997,923,994		3,180,262,506	3,180,262,506
Recoveries from reinsurance	(11,095,103,744)		(9,391,529,804)	(9,391,529,804)
Total cash flows	(8,097,179,750)		(6,211,267,298)	(6,211,267,298)
Net balance as at 31 December	36,318,206,551		43,383,892,071	43,058,154,162
			35,509,706	(361,247,615)
Closing reinsurance contract assets	36,311,827,164		44,119,836,619	43,756,726,742
Closing reinsurance contract liabilities	6,379,387		(735,944,548)	(698,572,580)
Net balance as at 31 December	36,318,206,551		43,383,892,071	43,058,154,162
			35,509,706	(361,247,615)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.5 Impact of contracts recognised in the year

Insurance contracts issued measured under the GMM and VFA

	Year ended 31 December 2024		Year ended 31 December 2023	
	Non-onerous contracts originated	Onerous contracts originated	Non-onerous contracts originated	Onerous contracts originated
	Total		Total	
Estimates of present value of future cash outflows				
- Insurance acquisition cash flows	3,733,045,001	452,909,782	4,185,954,783	3,390,245,577
- Claims and other directly attributable expenses	24,801,501,378	7,754,008,602	32,555,509,980	19,783,145,597
Estimates of the present value of future cash outflows	28,534,546,379	8,206,918,384	36,741,464,763	23,173,391,174
Estimates of the present value of future cash inflows	(30,719,882,063)	(8,079,378,610)	(38,799,260,673)	(24,640,140,303)
Risk adjustment for non-financial risk	65,400,292	10,735,555	76,135,847	43,913,075
CSM	2,119,935,392	-	2,119,935,392	1,491,883,530
Losses recognised on initial recognition	-	138,275,329	138,275,329	69,047,476

Reinsurance contracts held measured under the GMM

	Year ended 31 December 2024		Year ended 31 December 2023	
	Contracts originated not in a net gain	Contracts originated in a net gain	Contracts originated not in a net gain	Contracts originated in a net gain
	Total		Total	
Estimates of the present value of future cash inflows				
Estimates of the present value of future cash outflows	110,992,196	2,280,490,734	2,391,482,930	2,060,186,280
Risk adjustment for non-financial risk	(116,368,709)	(2,359,850,565)	(2,476,219,274)	(2,116,412,050)
CSM	(1,512,000)	(934,877)	(2,446,877)	(1,371,260)
	6,888,513	7,936,018	14,824,531	25,371,035
Income recognised on initial recognition	-	(72,358,690)	(72,358,690)	(32,225,995)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.6 The revenue and CSM by transition method

	2024		2023	
	<u>Contracts recognised after the transition date</u>	<u>Contracts measured under the fair value approach at transition</u>	<u>Contracts recognised after the transition date</u>	<u>Contracts measured under the fair value approach at transition</u>
Insurance contracts issued measured under the GMM and VFA				
Insurance revenue	1,132,212,368	1,531,337,689	2,663,550,057	476,887,454
CSM as at 1 January	2,603,003,856	6,863,040,099	9,466,043,955	1,280,656,189
Changes that relate to current service CSM recognised for the services provided	(318,327,088)	(1,033,446,619)	(1,351,773,707)	(141,317,505)
Changes that relate to future service				
Changes in estimates that adjust the CSM	428,249,794	(585,280,170)	(157,030,376)	(7,897,862)
Contracts initially recognised in the period	2,119,935,392	-	2,119,935,392	1,491,883,530
Finance (income)/expenses from insurance contract issued	(81,595,517)	135,602,297	54,006,780	(20,320,496)
CSM as at 31 December	<u>4,751,266,437</u>	<u>5,379,915,607</u>	<u>10,131,182,044</u>	<u>2,603,003,856</u>
				<u>9,466,043,955</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.6 The revenue and CSM by transition method (continued)

	2024		2023	
	Contracts recognised after the transition date	Contracts measured under the fair value approach at transition	Contracts recognised after the transition date	Contracts measured under the fair value approach at transition
Reinsurance contracts held measured under the GMM				
CSM as at 1 January	(224,074,563)	(137,173,052)	(235,631,966)	106,072,648
Changes that relate to current service CSM recognised for the services received	71,208,258	103,583,386	40,983,077	36,641,523
Changes that relate to future service				
Changes in estimates that adjust the CSM	(69,482,659)	(243,928,802)	5,324,484	(241,075,970)
Contracts initially recognised in the period	(14,824,531)	-	(25,371,035)	(25,371,035)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	(167,380)	(3,641,572)	(8,916)	(5,127,265)
Finance (expenses)/income from reinsurance contracts held	(7,540,188)	4,301,976	(9,370,207)	(37,738,627)
CSM as at 31 December	(244,881,063)	(276,858,064)	(224,074,563)	(361,247,615)

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Insurance contracts and reinsurance contracts held (continued)

12.8 Financial investment for direct participating contracts

The Group manages its assets and liabilities within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. Within the ALM framework, the Group periodically produces reports that are circulated to the Group's key management personnel. The principal technique of the Group's ALM is to match assets to liabilities arising from insurance and investment contracts.

The following table sets out the composition and the carrying amount of the financial investments matched for direct participating contracts:

	2024		2023	
	GMM	VFA	GMM	VFA
Underlying assets				
Financial assets				
– Debt securities	34,032,291,161	65,096,959,865	47,344,483,116	57,584,708,967
– Structured notes	410,836,129	6,846,444,094	556,582,412	3,622,058,254
– Equity securities	-	4,889,364,339	27,815,260	4,132,521,768
– Fund	3,060,506,759	18,263,112,726	3,029,031,339	9,001,353,021
– Segregated unit-linked fund assets	-	430,326,735	-	366,900,987
	<u>37,503,634,049</u>	<u>95,526,207,759</u>	<u>50,957,912,127</u>	<u>74,707,542,997</u>
Other investments				
Financial assets				
– Derivative financial assets	5,709,483	(170,529,179)	(47,891,226)	(40,694,636)
	<u>37,509,343,532</u>	<u>95,355,678,580</u>	<u>50,910,020,901</u>	<u>74,666,848,361</u>
Total investment assets (excluding cash and cash equivalents)				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Trade payables and other liabilities

	2024	2023
Direct underwriting	385,342,819	380,367,829
Investment	135,580,238	91,448,013
Accrued asset management fee	161,363,799	101,773,101
Lease liabilities	60,626,705	43,436,628
Others	213,283,571	166,567,245
	<u>956,197,132</u>	<u>783,592,816</u>

14 Borrowings

	2024	2023
Borrowings	<u>3,305,461,391</u>	<u>2,848,830,596</u>

As at 31 December 2024, the borrowings were carried at interest rate ranged from 4.48% to 8.83% per annum (2023: 4.63% to 9.71% per annum), due in 2025 (2023: due in 2024).

15 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are as follows:

	2024	2023
Deferred tax assets:		
- deferred income tax to be (charged)/recovered after 12 months	(545,924)	1,094,690
- deferred income tax to be recovered within 12 months	995,171,203	841,375,673
Deferred tax assets	<u>994,625,279</u>	<u>842,470,363</u>

The movement on the deferred income tax account is as follows:

	2024	2023
At beginning of the year	842,470,363	795,232,321
Credit/(charge) to the consolidated income statement (Note 25)		
- accelerated tax depreciation	(2,626,669)	(764,720)
- unused tax loss	(163,475,249)	139,918,307
- net insurance liability and financial investment	183,254,277	(69,946,705)
Credit/(charge) to other comprehensive income	135,002,557	(21,116,058)
Charge to retained earnings	-	(852,782)
At end of the year	<u>994,625,279</u>	<u>842,470,363</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Deferred taxation (continued)

	2024	2023
Deferred tax assets/(liabilities) of temporary differences arising from:		
- Accelerated tax depreciation	(11,689,389)	(9,062,720)
- Withholding tax on investments	39,322,112	39,322,112
- Fair value change of financial investments	20,340,293	1,075,941,562
- Net insurance liabilities	946,652,263	(427,205,840)
- Tax losses	-	163,475,249
Net deferred tax assets	<u>994,625,279</u>	<u>842,470,363</u>

16 Insurance revenue

	Year ended 31 December	
	2024	2023
Contracts not measured under the PAA		
Amounts relating to the changes in the liability for remaining coverage		
- Expected incurred claims and other directly attributable expenses	623,821,443	506,228,238
- Change in the risk adjustment for non-financial risk	40,397,538	22,345,849
- CSM recognised for the services provided	1,351,773,707	1,036,463,037
- Experience adjustments – arising from premiums received in the year other than those related to future service	28,570,845	36,921,535
Insurance acquisition cash flows recovery	618,986,524	280,841,996
	<u>2,663,550,057</u>	<u>1,882,800,655</u>
Contracts measured under the PAA	30,147,103	34,848,700
Total insurance revenue	<u>2,693,697,160</u>	<u>1,917,649,355</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Net investment income

	Year ended 31 December	
	2024	2023 (Restated)
Interest income calculated using the effective interest method		
- interest income from financial investments at AC	100,064,893	111,256,960
- interest income from financial assets measured at FVOCI	2,001,147,336	2,115,607,734
- interest income from banks and custodians	39,797,357	24,189,299
	<u>2,141,009,586</u>	<u>2,251,053,993</u>
Other interest income		
- interest income from financial assets measured at FVTPL (mandatory)	1,500,044,134	1,857,668,462
- interest income from financial assets at FVTPL (designated)	1,499,073,764	525,835,750
	<u>2,999,117,898</u>	<u>2,383,504,212</u>
Interest expenses from currency swap contracts	<u>(19,598,008)</u>	<u>(33,658,796)</u>
Other investment income		
Dividend and distribution income from		
- financial assets measured at FVTPL (mandatory)	331,075,912	343,118,346
- financial assets designated at FVOCI held at the end of the reporting period	3,291,795	7,255,309
- financial assets designated at FVOCI derecognised during the reporting period	3,502,353	-
Net gains/(losses) on		
- financial assets mandatorily measured at FVTPL		
- from segregated unit-linked fund assets	30,022,024	(12,084,253)
- from others	1,529,506,788	1,472,820,464
- financial assets designated at FVTPL	(2,286,955,864)	457,832,129
- financial assets measured at FVOCI	(122,645,398)	(150,534,166)
- derivatives	(521,729,287)	(273,609,276)
Change in allowance for ECLs	545,449	(1,119,067)
Investment expenses	(74,900,196)	(19,675,148)
Exchange difference	(1,495,410,111)	(407,997,819)
Other investment (losses)/income	<u>(2,603,696,535)</u>	<u>1,416,006,519</u>
	<u>2,516,832,941</u>	<u>6,016,905,928</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Net insurance finance result

	Year ended 31 December	
	2024	2023
Finance expenses from insurance contracts issued		
Interest accreted	(2,880,294,170)	(2,760,021,309)
The effect of financial risk and changes in financial risk	(1,525,653,208)	(2,285,811,732)
Foreign exchange differences on changes in the carrying amount of groups of insurance contracts	1,725,091,864	903,030,295
Changes in fair value of underlying items of contracts measured under VFA	(1,233,550,970)	(3,947,816,715)
Finance expenses from insurance contracts issued	<u>(3,914,406,484)</u>	<u>(8,090,619,461)</u>
Represented by:		
Amounts recognised in profit or loss	(2,192,859,993)	(5,925,259,773)
Amounts recognised in OCI	(1,721,546,491)	(2,165,359,688)
	<u>(3,914,406,484)</u>	<u>(8,090,619,461)</u>
Finance income from reinsurance contracts held		
Interest accreted	1,011,046,974	1,154,594,980
The effect of financial risk and changes in financial risk	546,610,295	696,673,504
Foreign exchange differences on changes in the carrying amount of groups of reinsurance contracts held	(967,096,671)	(720,424,832)
Finance income from reinsurance contracts held	<u>590,560,598</u>	<u>1,130,843,652</u>
Represented by:		
Amounts recognised in profit or loss	53,459,094	495,142,708
Amounts recognised in OCI	537,101,504	635,700,944
	<u>590,560,598</u>	<u>1,130,843,652</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Change in allowance for ECLs recognised in income statement

	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Due from banks	388,543	-	-	388,543
Interest and other receivables	51,806	-	-	51,806
Debt securities measured at FVOCI	(1,389,819)	-	-	(1,389,819)
Debt securities measured at AC	404,021	-	-	404,021
Net reversal of allowance for ECLs	(545,449)	-	-	(545,449)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Due from banks	(80,012)	-	-	(80,012)
Interest and other receivables	100,525	-	-	100,525
Debt securities measured at FVOCI	2,450,026	(1,034,074)	-	1,415,952
Debt securities measured at AC	(317,398)	-	-	(317,398)
Net charge/(reversal) of allowance for ECLs	2,153,141	(1,034,074)	-	1,119,067

20 Other operating income

	Year ended 31 December	
	2024	2023
Income from trailer fee	9,825,944	7,755,448
Other income	916,910	921,475
Total other operating income	10,742,854	8,676,923

21 Insurance service expenses

	Year ended 31 December	
	2024	2023
Incurred claims and other directly attributable expenses	595,837,526	625,257,955
Amortisation of insurance acquisition cash flows	619,231,439	281,562,341
Changes that relate to past service - changes in the FCF relating to the LIC	(4,805,074)	(12,618,794)
Losses for the net outflow recognised on initial recognition	138,275,329	69,047,476
Losses on onerous contracts and reversals of those losses	286,829,483	353,465,162
Insurance service expenses	1,635,368,703	1,316,714,140

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Total expenses

	Year ended 31 December	
	2024	2023
Claims and benefits	149,012,700	178,474,758
Fees and commissions	3,522,999,645	2,702,020,289
Losses on onerous contracts and reversal of those losses	425,104,812	422,512,638
Employee benefit expense	433,873,579	408,093,781
Depreciation and amortisation	85,547,599	81,015,162
Interest expense – lease liabilities	2,975,273	1,680,244
Short-term leases	892,998	781,166
Auditor's remunerations	5,795,000	2,518,600
Advertising and promotion expense	71,081,139	52,172,098
Investment management expense	186,071,568	170,638,955
Other expenses	175,522,765	195,412,616
Total expenses	5,058,877,078	4,215,320,307
Amounts attributable to insurance acquisition cash flows ("IACF")	(3,940,729,734)	(3,072,928,273)
Amortisation of IACF	619,231,439	281,562,341
	<u>1,737,378,783</u>	<u>1,423,954,375</u>
Represented by		
Insurance service expenses	1,635,368,703	1,316,714,140
Management and operating expenses (Note)	102,010,080	107,240,235
	<u>1,737,378,783</u>	<u>1,423,954,375</u>

Note: Management and operating expenses represent expenses that are not directly attributable to insurance contracts issued and reinsurance contracts held, including some general expenses and investment management expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Directors' emoluments

	Year ended 31 December	
	2024	2023
Fees	1,650,000	1,423,065
Pensions	285,848	221,682
Other emoluments	7,055,808	6,660,363
	<u>8,991,656</u>	<u>8,305,110</u>

No other emoluments were paid to or receivable by any director in respect of directors' other services in connection with management of the affairs of the Company during the year ended 31 December 2024 (2023: Nil).

No termination payments or benefits were made to the directors and no consideration was provided to or receivable by third parties for making available directors' services during the year (2023: Nil).

24 Other finance costs

Other finance costs represent the interest expenses on borrowings.

25 Taxation

	Year ended 31 December	
	2024	2023
Hong Kong profits tax		
Current tax expenses	93,105,321	443,646
Deferred tax credit (Note 15)	(17,152,359)	(69,206,882)
	<u>75,952,962</u>	<u>(68,763,236)</u>
Foreign withholding tax:		
Current tax expenses	12,084,714	13,374,923
	<u>88,037,676</u>	<u>(55,388,313)</u>

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

The IA has developed amendments to the Hong Kong Insurance Ordinance for the implementation of new RBC Regime with an effective date of 1 July 2024.

To align with the launch of RBC Regime, Hong Kong Inland Revenue Department has also changed the tax law to introduce a new tax computation basis to assess an insurance company's tax liabilities, which include methods to calculate the one-time initial tax charge of an insurance company at the RBC Regime effective date and for the on-going regular yearly tax assessment.

To alleviate cash flow pressure on affected insurers, the tax law allowed taxpayers to elect for a spreading over arrangement whereby the one-off increase in assessable profits arising from the implementation of the RBC regime would be assessed over a period of five years. The Group has preliminarily assessed that the impact to the profit and loss account is immaterial.

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Taxation (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2023: 16.5%):

	2024	2023
Profit before taxation	1,478,782,520	1,069,996,802
Calculated at a tax rate of 16.5% (2023: 16.5%)	243,999,116	176,549,472
Tax effect of:		
- Income not taxable	(175,927,460)	(250,360,872)
- Expenses not deductible	7,881,306	5,048,164
- Foreign withholding tax	12,084,714	13,374,923
Tax expenses/(credit)	88,037,676	(55,388,313)

The tax charge/(credit) relating to components of other comprehensive income is as follows:

	2024			2023		
	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Fair value gains/(losses) and release of fair value change upon disposal on debt and equity instruments measured at FVOCI	127,017,366	(35,138,507)	91,878,859	1,841,990,202	(273,509,751)	1,568,480,451
Finance (expenses)/income from insurance contracts issued	(1,721,546,491)	284,055,171	(1,437,491,320)	(2,165,359,688)	357,284,349	(1,808,075,339)
Finance income/(expenses) from reinsurance contracts held	537,101,504	(88,621,748)	448,479,756	635,700,944	(104,890,656)	530,810,288

26 Dividends

A dividend of HK\$0.1414 per share (2023: Nil), totaling HK\$50,027,320 final dividend for the year ended 31 December 2023 was paid to the shareholders whose name appeared on the Register of Members of the Company on 31 December 2023. The dividend was paid on 27 June 2024. There is no interim dividend for 2024.

	2024	2023
Final dividend in respect of prior financial year, approved and paid during the year	50,027,320	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Notes to the consolidated statement of cash flows

Reconciliation of profit before taxation to net cash flows used in operating activities

	Year ended 31 December	
	2024	2023
		(Restated)
Profit before taxation	1,478,782,520	1,069,996,802
Adjustment for:		
Depreciation and amortisation	85,547,599	81,015,162
Loss on disposals of property and equipment	12,684	1,394,718
Loss on disposals of intangible assets	512,153	-
Tax refund	19,207,582	14,094,630
Interest expenses from borrowings	159,832,853	126,714,766
Change in allowance for ECLs	(545,449)	1,119,067
Release upon derecognition of debt securities measured at FVOCI	122,645,398	150,534,166
Change in FVTPL financial assets	(20,370,792,955)	(10,299,544,935)
Change in AC financial assets	344,938,569	255,797,269
Change in FVOCI financial assets	12,494,570,677	(2,705,421,560)
Change in segregated unit-linked fund assets	(63,427,848)	(58,550,068)
Change in interest and other receivables and other assets	(316,482,615)	(466,526,433)
Change in insurance and reinsurance contract assets/liabilities	10,146,129,198	10,671,648,936
Change in derivative financial instruments	72,011,389	293,540,279
Change in trade payables and other liabilities	155,414,239	481,937,714
Change in structured notes	-	(1,918,548)
Change in investment in an associate	(22,377,347)	-
Net cash flows generated from/(used in) operating activities	<u>4,305,978,647</u>	<u>(384,168,035)</u>
Cash flows from operating activities included:		
- Interest received	5,418,846,758	4,759,349,264
- Interest paid	326,172,234	375,913,212
- Dividend received	<u>336,812,478</u>	<u>363,505,886</u>

28 Interests in unconsolidated structured entities

The Group involves a number of fund investments in the normal course of business and earns dividend income from the funds which meet the definition of unconsolidated structured entities. As at 31 December 2024, the Group's investment holding interests in the unconsolidated structured entities were recognised in financial assets measured at FVTPL amounted to HK\$21,757,537,169 (2023: HK\$12,400,274,390).

The maximum exposure to loss from the Group's interests in these fund investments is equal to the total fair value of its investments in these funds.

29 Contingencies and commitments

The Group, like all other insurers, is subject to litigation in the normal course of its business. The Group does not believe that such litigation will have a material impact on its profit or loss and financial condition.

The Group has HK\$7,496,219,611 (2023: HK\$4,610,387,229) outstanding commitments to invest in private equity partnership. The commitments are payable on demand.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**30 Significant related-party transactions**

The Group is subject to ultimate control of the State Council of the PRC government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and Bank of China Ltd ("BOC") in which Central Huijin has controlling equity interests.

(a) Transactions with government authorities, agencies, affiliates and other state-controlled entities

The Group is subject to the control of the State Council of the PRC Government through CIC and Central Huijin, which also directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state-controlled entities. The Group enters into various transactions with government authorities, agencies, affiliates and other state-controlled entities in the normal course of business at commercial terms.

The transactions include, but are not limited to, the following:

- sales, purchase and redemption of bonds issued by other state-controlled entities
- sales and purchase of securities issued by other state-controlled entities

(b) Transactions with the parent companies and the other companies controlled by the parent companies

General information of the parent companies:

The Group is controlled by BOC via BOC Hong Kong (Holdings) Limited. Central Huijin is the controlling entity of BOC, and it is a wholly-owned subsidiary of CIC which is a wholly state-owned company engaging in foreign currency investment management.

Central Huijin has controlling interests in certain other entities in the PRC government.

The Group enters into several transactions with these entities in the normal course of business which include insurance and reinsurance contracts, investment securities, banking and servicing transactions. The income/(expenses) and balances with related parties are associated with subsidiaries of BOC and are summarised as follows:

(i) Transactions:

	Year ended 31 December	
	2024	2023
Fellow subsidiaries:		
Interest income from currency swaps at FVTPL	139,037,587	226,452,282
Interest expenses from currency swaps at FVTPL	(152,497,475)	(251,020,143)
Investment gains/(losses) from derivative financial instruments	10,195,994	(42,141,477)
Interest expenses on borrowings	(141,257,407)	(109,392,296)
Commission paid	(2,570,371,769)	(2,043,806,795)
Service expenses paid	(276,254,230)	(181,503,985)

All related party transactions were entered under normal course of business at prices and terms as mutually agreed by the parties involved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Significant related-party transactions (continued)

- (b) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

- (ii) Balance sheet items:

	2024	2023
Fellow subsidiaries:		
Borrowings	3,055,183,993	2,393,290,936
Bank deposits	7,414,412,682	2,614,198,990
Financial assets – Derivatives	17,740,396	10,647,495
Financial liabilities – Derivatives	13,193,216	20,487,848
Financial assets – Debt securities	552,311,352	586,588,418
	<u> </u>	<u> </u>

- (iii) Key management compensation

	Year ended 31 December	
	2024	2023
Salaries and other short-term employee benefits	30,670,188	31,279,234
	<u> </u>	<u> </u>

BOC GROUP LIFE ASSURANCE COMPANY LIMITED
(All amounts in Hong Kong dollar unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Balance sheet and reserve movement of the Company

Balance Sheet

	Note	As at 31 December		As at 1 January
		2024	2023 (Restated)	2023 (Restated)
ASSETS				
Property and equipment		83,265,260	66,831,787	83,887,441
Reinsurance contract assets		35,877,887,376	43,792,237,169	48,814,672,664
Insurance contract assets		1,927,727	1,509,747	2,522,847
Investment in subsidiary	32	-	207,308,997	256,192,945
Investment in an associate		356,520,065	308,921,251	-
Financial investments not held by unit-linked fund				
- FVTPL		98,758,605,121	78,387,812,166	68,041,934,018
- AC		2,203,925,881	2,549,268,471	2,804,748,342
- FVOCI		41,068,019,280	53,558,547,051	49,161,669,455
Interest and other receivables		2,401,324,071	2,103,512,936	2,050,710,084
Other assets		154,720,942	122,461,208	122,896,460
Deferred tax assets		994,625,279	842,470,363	795,232,321
Current tax assets		-	33,631,804	62,457,321
Derivative financial assets		48,399,247	31,474,351	233,891,633
Cash and bank		8,912,415,809	4,275,990,734	4,636,005,004
Segregated unit-linked fund assets				
- Financial assets mandatorily measured at FVTPL		430,326,735	366,900,987	308,352,854
- Other receivables		22,293	20,193	18,258
- Cash and bank		722,415	739,778	982,935
Total assets		191,292,707,501	186,649,638,993	177,376,174,582
EQUITY				
Share capital		3,538,000,000	3,538,000,000	3,538,000,000
Reserves		(2,055,866,764)	(1,157,344,240)	(1,454,298,915)
Retained earnings		5,059,848,481	3,718,584,416	2,595,806,533
Total equity		6,541,981,717	6,099,240,176	4,679,507,618

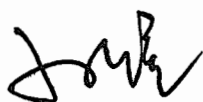
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Balance sheet and reserve movement of the Company (Continued)

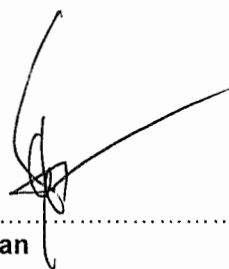
Balance Sheet (continued)

	<u>As at 31 December</u>		<u>As at 1 January</u>
	2024	2023	2023
LIABILITIES			
Insurance contract liabilities	180,108,456,984	176,006,428,227	168,776,939,069
Reinsurance contract liabilities	29,014,161	714,400,546	766,030,619
Trade payables and other liabilities	956,197,132	783,553,071	744,796,836
Borrowings	3,305,461,391	2,848,830,596	2,301,071,960
Current tax liabilities	140,939,497	75,466,043	77,231,143
Derivative financial liabilities	210,656,619	121,720,334	30,597,337
Total liabilities	184,750,725,784	180,550,398,817	172,696,666,964
Total equity and liabilities	191,292,707,501	186,649,638,993	177,376,174,582

Approved by the Board of Directors on 19 March 2025 and signed on behalf of the Board by:



.....
SUN Yu
Director



.....
CHAN Man
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Balance sheet and reserve movement of the Company (Continued)

Reserve movement of the Company

	Retained earnings	Insurance finance reserve	Fair value reserves
Balance at 1 January 2024	3,718,584,416	3,209,495,057	(4,366,839,297)
Profit for the year	1,391,291,385	-	-
Other comprehensive income			
-Finance expenses from insurance contracts issued, net of tax	-	(1,437,491,320)	-
-Finance income from reinsurance contracts held, net of tax	-	448,479,756	-
-FVOCI financial instruments, net of tax	-	-	90,617,894
- Currency translation difference	-	-	(128,854)
Dividends	(50,027,320)	-	-
Balance at 31 December 2024	<u>5,059,848,481</u>	<u>2,220,483,493</u>	<u>(4,276,350,257)</u>
As at 1 January 2023	2,595,806,533	4,486,760,108	(5,941,059,023)
Profit for the year	1,127,094,919	-	-
Other comprehensive income			
-Finance expenses from insurance contracts issued, net of tax	-	(1,808,075,339)	-
-Finance income from insurance contracts held, net of tax	-	530,810,288	-
-FVOCI financial instruments, net of tax	-	-	1,569,883,136
- Currency translation difference	-	-	19,554
Reclassification of net change in fair value of equity instruments upon derecognition	(4,317,036)	-	4,317,036
Balance at 31 December 2023	<u>3,718,584,416</u>	<u>3,209,495,057</u>	<u>(4,366,839,297)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Investment in subsidiary

The following is a list of subsidiary as at 31 December 2024:

Name	Place of incorporation/ operation	% of interest held		Principal activities
		2024	2023	
Yingjin Technology and Innovation Private Equity Investment Fund (Shenzhen) Investment Centre (Limited Partnership)	China	0%	99.84%	Investment

The investment in subsidiary was disposed in year 2024 with realised gain amounting to HK\$703,341.