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*The material contained in this announcement is not for distribution or circulation, directly or indirectly, in or into the United States. This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities offer are being offered and sold only outside the United States in offshore transaction in compliance with Regulation S under the Securities Act.*

Notice to Hong Kong investors: *The Issuer (defined as below) confirms that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on the Hong Kong Stock Exchange (as defined below) on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

中國人壽 CHINA LIFE | 海外 |

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED, HONG KONG BRANCH

(Hong Kong Branch of an enterprise incorporated in the People's Republic of China with limited liability)

(the "Issuer")

U.S.$2,000,000,000 DATED SUBORDINATED CAPITAL BONDS DUE 2033

(the "Bonds")

(Stock Code: 5832)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

Please refer to the offering circular dated 8 August 2023 (the "**Offering Circular**") appended hereto in relation to the Bonds at an initial interest rate of 5.35 per cent. per annum. The Issuer announces that the listing of the Bonds on the Hong Kong Stock Exchange and permission to deal in the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules) only has become effective on 16 August 2023.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

16 August 2023

As at the date of this announcement, the directors of China Life Insurance (Overseas) Company Limited are LI Mingguang, WANG Junhui, LIU Yuejin, JIANG Tao, LIU Qing, LANG Kuan, MAO Yumin, XU Shiqing and GUO Yike.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: YOU MUST READ THE FOLLOWING DISCLAIMER BEFORE CONTINUING. THE FOLLOWING DISCLAIMER APPLIES TO THE ATTACHED OFFERING CIRCULAR (THE "**OFFERING CIRCULAR**"). YOU ARE THEREFORE ADVISED TO READ THIS DISCLAIMER CAREFULLY BEFORE READING, ACCESSING OR MAKING ANY OTHER USE OF THE ATTACHED OFFERING CIRCULAR. IN ACCESSING THE ATTACHED OFFERING CIRCULAR, YOU AGREE TO BE BOUND BY THE FOLLOWING TERMS AND CONDITIONS, INCLUDING ANY MODIFICATIONS TO THEM FROM TIME TO TIME, EACH TIME YOU RECEIVE ANY INFORMATION AS A RESULT OF SUCH ACCESS.

Confirmation of your Representation: You have accessed the attached document on the basis that you have confirmed your representation to BOCI Asia Limited, China CITIC Bank International Limited, CMB International Capital Limited and Goldman Sachs (Asia) L.L.C. as joint global coordinators, joint bookrunners and joint lead managers (together, the "**Joint Global Coordinators**") and ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch, BNP Paribas, CCB International Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, GF Securities (Hong Kong) Brokerage Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, Huatai Financial Holdings (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited and SPDB International Capital Limited as joint bookrunners and joint lead managers (together with the Joint Global Coordinators, the "**Managers**") and China Life Insurance (Overseas) Company Limited, Hong Kong Branch (the "**Issuer**") that (1) you are not in the United States, the e-mail address that you provided and to which this e-mail has been delivered is not located in the United States, its territories or possessions and, to the extent you purchase the bonds described in the attached Offering Circular (the "**Bonds**"), you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, the Agents (as defined in the attached Offering Circular), the Issuer or any of their respective directors, officers, employees, representatives, agents, affiliates or advisors nor any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF BONDS FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES.

Except with respect to eligible investors in jurisdiction where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Managers or the Issuer to subscribe for or purchase any of the Bonds, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or affiliates on the Issuer's behalf in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or forward this Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to any of the foregoing restrictions, you are not authorised and will not be able to purchase any of the Bonds.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS.

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED, HONG KONG BRANCH

(Hong Kong Branch of an enterprise incorporated in the People's Republic of China with limited liability)

U.S.$2,000,000,000 5.35 per cent. Dated Subordinated Capital Bonds due 2033
Issue price: 100.00 per cent.

The 5.35 per cent. Dated Subordinated Capital Bonds due 2033 (the "**Bonds**") will be issued in an initial aggregate principal amount of U.S.$2,000,000,000 by China Life Insurance (Overseas) Company Limited, Hong Kong Branch (the "**Issuer**").

The Bonds will bear interest on their outstanding principal amount from, and including, 15 August 2023 (the "**Issue Date**") at the applicable Interest Rate (as defined below), payable semi-annually in arrear on 15 February and 15 August in each year in equal instalments, commencing on 15 February 2024. The rate of interest (the "**Interest Rate**") applicable to the Bonds shall be: (a) in respect of the period from, and including, the Issue Date to, but excluding, 15 August 2028 (the "**Call Date**"), 5.35 per cent. per annum; and (b) in respect of the period from, and including, the Call Date to, but excluding, 15 August 2033 (the "**Maturity Date**"), the Reset Interest Rate (as defined in the terms and conditions of the Bonds, the "**Terms and Conditions**").

The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority of payment among themselves. Subject to the insolvency laws of Hong Kong, the PRC (as defined below) and other applicable laws, in the event of a Winding-Up (as defined in the Terms and Conditions) of China Life Insurance (Overseas) Company Limited (the "**Company**"), the rights of the holders of the Bonds (the "**Bondholders**") to payment of principal and interest on the Bonds, and any other obligations in respect of the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all present and future policyholders and non-subordinated creditors of the Company, and (b) the holders of all other obligations of the Company whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of any instrument or other obligation, present or future, issued, entered into, or guaranteed by the Company that ranks or is expressed to rank *pari passu* with the Bonds by operation of law or contract, which for the avoidance of doubt, excludes any Junior Obligations (as defined below) of the Company; and (iii) senior in right of payment to and of all claims of the holders of the ordinary share capital and any other class of the share capital of the Company (including without limitation any preference shares) and any instrument or other obligation, present or future, issued, entered into or guaranteed by the Company that ranks or is expressed to rank junior to the Bonds by operation of law or contract (the "**Junior Obligations**"). In the event of a Winding-Up that requires the Bondholders to provide evidence of their claim to principal or interest under the Bonds, such claims of the Bondholders will only be satisfied after all senior ranking obligations of the Company have been satisfied in whole.

Pursuant to the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (Decree No.56 of the NDRC) (企業中長期外債審核登記管理辦法 (國家發展和改革委員會令第56號)) issued by the NDRC which came into effect on 10 February 2023 and the applicable implementation rules, regulations, circulars, notices or policies thereof as issued by the NDRC from time to time (the "**NDRC Administrative Measures**"), the Company has registered the issuance of the Bonds with the NDRC and obtained an Enterprise Foreign Debt Examination Registration Certificate from NDRC on 14 June 2023 evidencing such registration. After the issuance of the Bonds, the Issuer will file or cause to be filed with the NDRC the requisite information in accordance with the NDRC Administrative Measures.

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Bonds on the Maturity Date at their outstanding principal amount, together with any interest accrued to (but excluding) the Maturity Date.

Subject to the prior Regulatory Approval (as defined in the Terms and Conditions) thereto having been obtained (to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator (as defined in the Terms and Conditions) in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), if (a) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 August 2023 and (b) such obligation will apply on the occasion of the next payment due in respect of the Bonds and cannot be avoided by the Issuer taking reasonable measures available to it, subject to the Terms and Conditions. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Reasons*".

Subject to the prior Regulatory Approval thereto having been obtained (to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Bondholders (which notices shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), redeem at its option all but not some only of the Bonds then outstanding on the Call Date, at their outstanding principal amount together with any interest accrued to (but excluding) the date of redemption. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Issuer*".

Subject to the prior Regulatory Approval thereto having been obtained (to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders (which notices shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent) at their outstanding principal amount (together with any interest accrued to (but excluding) the date of redemption), if a Regulatory Event (as defined in the Terms and Conditions) occurs after the Issue Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption upon Regulatory Event*".

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within Hong Kong, the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. See "*Terms and Conditions of the Bonds — Taxation*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 38.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered outside the United States in reliance on Regulation S under the Securities Act ("Regulation S").

For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or the "**HKSE**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: the Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Group (as defined below) or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds are complex financial instruments and are not a suitable or appropriate investment for all investors. Investing in the Bonds involves certain risks, including the risk that holders could lose their entire investment in the Bonds. Potential investors should read the whole of this Offering Circular, in particular, the "*Risk Factors*" beginning on page 13 for further information.

Investors should be aware that the Issuer's obligations under the Bonds are subordinated and there are limited remedies for non-payment under the Bonds, and that there are various other risks relating to the Bonds, the Issuer, the Group, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. See "*Risk Factors*" beginning on page 13.

The denomination of the Bonds will be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Bonds will be issued in registered form and will initially be represented by a global certificate (the "**Global Certificate**") which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, definitive certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds are expected to be rated "A–" by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**"). In addition, the Company has an insurer financial strength rating (IFSR) of "A1" by Moody's Investors Service ("**Moody's**"), and an issuer credit rating and a financial strength rating of "A" by S&P. None of such ratings constitute a recommendation to buy, sell or hold the Bonds and any of such ratings may be subject to suspension, revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other ratings of the Bonds or other securities of the Issuer or the Company or of the Group.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

BOC International	**China CITIC Bank International**	**CMB International**	**Goldman Sachs (Asia) L.L.C.**

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

ABC International	**Agricultural Bank of China Limited Hong Kong Branch**	**Bank of Communications**	**BNP PARIBAS**	**CCB International**
China Galaxy International	**China Minsheng Banking Corp., Ltd., Hong Kong Branch**	**China Securities International**	**CMBC Capital**	**CMB Wing Lung Bank Limited**
CNCB Capital	**GF Securities**	**Guotai Junan International**	**Haitong International**	**HSBC**
Huatai International	**ICBC (Asia)**	**Industrial Bank Co., Ltd. Hong Kong Branch**	**Mizuho**	**SPDB International**

Structuring Advisor

BOC International

Offering Circular dated 8 August 2023

IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer and the Bonds.

The Issuer having made all reasonable enquiries, confirm that (i) this Offering Circular contains all information with respect to the Issuer, the Company and the subsidiaries of the Company (the "Group"") and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which, according to the particular nature of the Issuer and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Bonds); (ii) the information contained in this Offering Circular relating to the Issuer and to the Group are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained in this Offering Circular and, if given or made, any information or representation not so contained should not be relied upon as having been authorised by or on behalf of the Issuer, BOCI Asia Limited, China CITIC Bank International Limited, CMB International Capital Limited and Goldman Sachs (Asia) L.L.C. as joint global coordinators, joint bookrunners and joint lead managers (together, the "Joint Global Coordinators") and ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch, BNP Paribas, CCB International Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, GF Securities (Hong Kong) Brokerage Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, Huatai Financial Holdings (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited and SPDB International Capital Limited as joint bookrunners and joint lead managers (together with the Joint Global Coordinator, the "**Managers**"), the Fiscal Agent (as defined in the Terms and Conditions) or the other Agents (as defined in the Terms and Conditions). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in affairs of the Issuer or the affairs of the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisors to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers or any affiliate or representative of any of the Issuer or the Managers to subscribe for or purchase, any Bonds in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorised or to any person to whom it is unlawful to make such offer, invitation or solicitation.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. Each purchaser of the Bonds must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Offering Circular, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. Distribution of this Offering Circular to any person other than the recipient is prohibited. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions, including the United States, the European Economic Area, the United Kingdom, Hong Kong, the PRC, Japan, Singapore and Taiwan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Issuer and the Managers are relying on the exemption from registration under the Securities Act provided by Regulation S for offers and sales of securities made outside the United States. The Bonds have not been registered under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may be offered or sold only in transaction that are exempt from or not subject to, the registration requirements of the Securities Act and any other applicable laws.

None of the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisors has independently verified the information contained in this Offering Circular. Accordingly, no representation or warranty, express or implied, is made or given by any of the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents or advisors as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by any of the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents or advisors. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation either by the Issuer, or by any of the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents or advisors that any recipient of this Offering Circular should purchase the Bonds.

To the fullest extent permitted by law, none of the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents or advisors accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by any of the Managers, the Fiscal Agent and the other Agents and their respective directors, officers, employees, representatives, affiliates, agents or advisors or on their behalf in connection with the Issuer or the Group on the issue and offering of the Bonds. Each of the Managers, the Fiscal Agent and the other Agents and their respective directors, officers, employees, representatives, affiliates, agents and advisors accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise

have in respect of this Offering Circular or any such statement. None of the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents or advisors undertakes to review the Issuer's or the Group's results of operations, financial condition or affairs after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Fiscal Agent or the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents and advisors.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY JOINT GLOBAL COORDINATOR (OR ANY PERSON ACTING FOR IT) (THE "STABILISATION MANAGER") MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION IF COMMENCED MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS, RULES AND DIRECTIVES.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Fiscal Agent, the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents or advisors in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Group and the merits and risks involved in investing in the Bonds.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each investor contemplating purchasing the Bonds should make its own independent investigation of the Issuer's and the Group's financial condition and affairs, and its own appraisal of the creditworthiness. No person should construe the contents of this Offering Circular as legal, business or tax advice and each person should be aware that it may be required to bear the financial risks of any investment in the Bonds for an indefinite period of time. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisors as it deems necessary.

None of the Issuer, the Managers, the Fiscal Agent, the other Agents or any of their respective directors, officers, employees, representatives, affiliates, agents or advisors is making any representation to any offeree or purchaser of the Bonds offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification — In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018).

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the Terms and Conditions, including the merits and risks involved.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. This information has not been independently verified by the Issuer, the Managers, the Fiscal Agent or the other Agents or their respective directors, officers, employees, advisors and affiliates, and none of the Issuer, the Managers, the Fiscal Agent or the other Agents or their respective directors, officers, employees, affiliates or advisors makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such

information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" (CMIs) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the **SFC Code**). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (**OCs**) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Company, a CMI or its group companies would be considered under the SFC Code as having an association (Association) with the Issuer, the Company, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Company or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Company, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Presentation of Financial Information

The Group's annual financial statements are prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") as issued by the Hong Kong Institute of Certified Public Accountants. This Offering Circular contains the consolidated financial information of the Group as at and for the years ended 31 December 2020, 2021 and 2022, which has been extracted from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 2022 (the "**Audited Financial Statements**") included elsewhere in this Offering Circular. The Audited Financial Statements were prepared and presented in accordance with HKFRSs and audited by PricewaterhouseCoopers, Certified Public Accountants.

Certain financial figures as at and for the year ended 31 December 2020 were restated in the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 as a result of certain errors identified in Company's comparative financial information previously presented. For details of such accounting errors and the impact of the restatement, please see "*Notes to the Consolidated Financial Statements — 43. Restatement of prior year balances*" of the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 included elsewhere in this Offering Circular.

FORWARD-LOOKING STATEMENTS

There are statements in this Offering Circular which contain words and phrases such as "aim", "anticipate", "assume", "believe", "contemplate", "continue", "estimate", "expect", "future", "goal", "intend", "may", "objective", "predict", "positioned", "project", "risk", "seek to", "shall", "should", "will likely result", "will pursue", "plan" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, expectations, plans, projections or business prospects of the Group intended to identify forward-looking statements. In particular, the statements in "*Risk Factors*" and "*Description of the Group*" regarding the Group's future financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on the Group's income or results of operations could materially differ from those that have been estimated. For example, turnover could decrease, costs could increase, and anticipated improvements in performance might not be fully realised.

Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as at the date of this Offering Circular. Except as required by law, the Group is not under any obligation, and expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to the Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Offering Circular.

CERTAIN DEFINED TERMS AND CONVENTIONS

References in this Offering Circular to the "Issuer" shall include the Company, as the context may require. References in this Offering Circular to the "**Company**" mean China Life Insurance (Overseas) Company Limited. References in this Offering Circular to the "**Group**" mean the Company and the subsidiaries of the Company. References in this Offering Circular to the "**Parent Company**" mean China Life Insurance (Group) Company. References in this Offering Circular to the "**Parent Group**" mean the Parent Company and the subsidiaries of the Parent Company.

References to "China" or "**PRC**" mean the People's Republic of China, excluding, for purposes of this Offering Circular, Hong Kong, Macau and Taiwan. References to "**State Council**" mean the State Council of the PRC. References to the "**PRC Insurance Regulatory Authority**" mean the National Administration of Financial Regulation of the PRC or (before the establishment of the National Administration of Financial Regulation of the PRC in May 2023) the China Banking and Insurance Regulatory Commission. References to "**Hong Kong**" mean the Hong Kong Special Administrative Region of the PRC. References to "**Macau**" mean the Macau Special Administrative Region of the PRC. References to "**MOF**" or "**Ministry of Finance**" mean the Ministry of Finance of the PRC. References to "**Ministry of Commerce**" mean the Ministry of Commerce of the PRC. References to the "**OCI**" mean the Office of the Commissioner of Insurance. References to the "**IA**" mean the Hong Kong Insurance Authority. References to "**SAFE**" mean the State Administration of Foreign Exchange of the PRC. References to "**U.S.**" and the "**United States**" mean the United States of America.

References to "HKSE" or "**Hong Kong Stock Exchange**" mean The Stock Exchange of Hong Kong Limited.

References to "HKFRSs" mean the Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants. Unless otherwise indicated, the Group's financial information presented in this Offering Circular has been prepared in accordance with HKFRSs.

References to "CNY", "**Renminbi**" or "**RMB**" in this Offering Circular mean the lawful currency of the PRC, references to "**HKD**", "**Hong Kong dollars**" or "**HK$**" mean the lawful currency of the Hong Kong, references to "**U.S. dollars**" or "**U.S.$**" mean the lawful currency of the United States of America, references to "**SGD**" mean the lawful currency of Singapore and references to "**IDR**" mean the lawful currency of Indonesia.

This Offering Circular contains translations of certain HK$ amounts into U.S. dollars at specified rates solely for the convenience of the readers. Unless otherwise specified in this Offering Circular, where financial information in relation to the Company has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of HK$7.8015 to U.S.$1.00 (the noon buying rate in New York City on 30 December 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System). No representation is made that the HK$ amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

If there is any discrepancy or inconsistency between the Chinese names of the PRC entities, laws and regulations in this Offering Circular and their English translations, the Chinese version shall prevail.

CONTENTS

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

Overview

The Company is a wholly owned subsidiary of the Parent Company, namely China Life Insurance (Group) Company, which is a leading financial insurance corporation in the PRC. The Group's key business sectors cover insurance, investment and retirement benefit contributions (including Mandatory Provident Fund schemes ("**MPF schemes**") and occupational retirement schemes ("**ORSO schemes**")).

The Group has a rich heritage with its roots tracing back to 1933, serving customers for 90 years. With strong support from the state-owned Parent Company, the Group has established strong foothold in Hong Kong and Macau and is striving to develop in Southeast Asian markets through conducting insurance business as well as businesses relating to retirement benefit contributions.

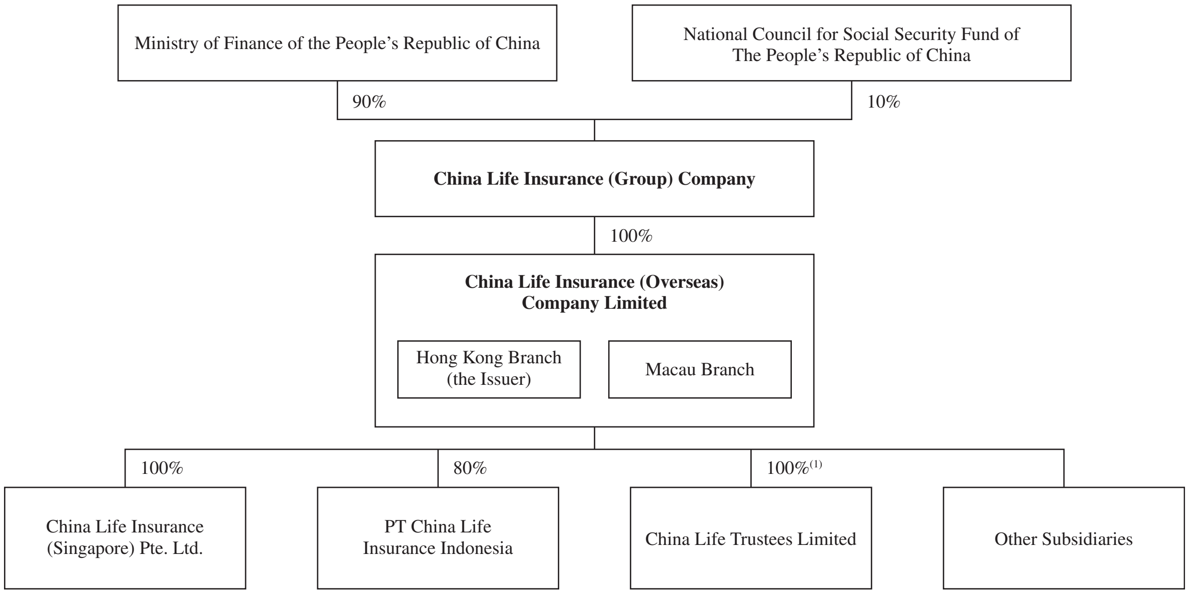
The Company established branches in Hong Kong and Macau in 1984 and 1989, respectively, and has become a leading life insurance company in Hong Kong and Macau. In 2015, the Company established a Singapore subsidiary, namely China Life Insurance (Singapore) Pte. Ltd. ("**China Life Singapore**") to conduct insurance business in Singapore. In 2018, the Company further established an Indonesia subsidiary through merger and acquisition, namely PT China Life Insurance Indonesia ("**China Life Indonesia**"), to conduct insurance business in Indonesia. The Group strives to provide customers with high-quality insurance products and professional services.

The Company believes that the Group has a healthy and stable financial situation and is well-received and trusted by clients due to, among others, its reasonably-priced premiums, all-rounded protection, credible reputation and stable operation. As at 31 December 2020, 2021 and 2022, the Group's total assets amounted to HK$477.8 billion, HK$469.8 billion and HK$463.1 billion, respectively, while the Group's net assets amounted to HK$26.2 billion, HK$27.3 billion and HK$23.1 billion, respectively. For the years ended 31 December 2020, 2021 and 2022, the Group's insurance premium revenue was HK$68.9 billion, HK$59.7 billion and HK$49.2 billion, respectively. The Group's total first year premium was HK$17.9 billion, HK$18.5 billion and HK$6.9 billion, respectively, for the years ended 31 December 2020, 2021 and 2022, of which HK$7.0 billion, HK$8.9 billion and HK$4.6 billion, respectively, was for insurance products with terms exceeding five years. For the years ended 31 December 2020, 2021 and 2022, the Group's total net profit was HK$1.9 billion, HK$1.4 billion and HK$3.2 billion, respectively. As at 31 December 2020, 2021 and 2022, the solvency ratio of the Group was 257 per cent., 282 per cent. and 244 per cent., respectively.

The Group invests its premiums and other income generated from insurance businesses into, among other investments, fixed income securities, equity securities, cash and cash equivalents, funds and other financial assets. For the three years ended 31 December 2020, 2021 and 2022, the Group's net investment income was HK$18.5 billion, HK$21.3 billion and HK$8.3 billion, respectively.

The Company had 585,625 individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies in force as at 31 December 2022. As at 31 December 2022, China Life Singapore had 6,227 individual life insurance policies, annuity contracts, and health and accident insurance policies in force while China Life Indonesia had 546 individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies in force.

The following chart sets forth the simplified corporate structure of the Group as at 31 December 2022:



(1) This shows the percentage of effective control.

Competitive Strengths

- Leading position in Hong Kong and Macau with strong collective strength from its shareholder.
- Full-fledged insurance products and diversified distribution channels to optimise business structure.
- Active promotion of investment management together with stable total assets.
- Cautious expansion strategy to advance high-quality development.
- Rigorous and secure risk control and stable and sufficient solvency.
- Excellent credit ratings, widely recognised by the market.
- Development in line with national strategy, continuous support from the Parent Group.
- Experienced management team, mostly appointed directly by the Parent Company.

Business Strategies

- Reinforce advantages in Hong Kong and Macau markets and expand its footprints and developments globally.
- Continuously improving market competitiveness and sustainable development capabilities, while steadily increasing profitability.
- Continuously strengthen its management and enhance innovation-driven development to elevate its market position and influence.

THE OFFERING

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expression defined in "Terms and Conditions of the Bonds"and "Summary of Provisions relating to the Bonds while in Global Form"shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds"in this Offering Circular.

Issuer	China Life Insurance (Overseas) Company Limited, Hong Kong Branch
Issue	U.S.$2,000,000,000 5.35 per cent. Dated Subordinated Capital Bonds due 2033
Issue price	100.00 per cent.
Issue Date	15 August 2023
Maturity Date	15 August 2033
Status and Subordination of the Bonds	The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority of payment among themselves. Subject to the insolvency laws of Hong Kong, the PRC and other applicable laws, in the event of a Winding-Up of the Company, the rights of the Bondholders to payment of principal and interest on the Bonds, and any other obligations in respect of the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all present and future policyholders and non-subordinated creditors of the Company, and (b) the holders of all other obligations of the Company whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of any instrument or other obligation, present or future, issued, entered into, or guaranteed by the Company that ranks or is expressed to rank *pari passu* with the Bonds by operation of law or contract, which for the avoidance of doubt, excludes any Junior Obligations (as defined below) of the Company; and (iii) senior in right of payment to and of all claims of the holders of the ordinary share capital and any other class of the share capital of the Company (including without limitation any preference shares) and any instrument or other obligation, present or future, issued, entered into or guaranteed by the Company that ranks or is expressed to rank junior to the Bonds by operation of law or contract (the "**Junior Obligations**"). In the event of a Winding-Up that requires the Bondholders to provide evidence of their claim to principal or interest under the Bonds, such claims of the Bondholders will only be satisfied after all senior ranking obligations of the Company have been satisfied in whole.

Interest and Interest Payment Date	The Bonds bear interest on their outstanding principal amount from, and including, the Issue Date at the applicable Interest Rate, payable semi-annually in arrear on 15 February and 15 August in each year in equal instalments. The Interest Rate applicable to the Bonds shall be: (a) in respect of the period from, and including, the Issue Date to, but excluding, 15 August 2028 (the "**Call Date**"), 5.35 per cent. per annum; and (b) in respect of the period from, and including, the Call Date to, but excluding, the Maturity Date, the Reset Interest Rate.
Final Redemption	Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds on the Maturity Date at their outstanding principal amount, together with any interest accrued to (but excluding) the Maturity Date.
Redemption for Tax Reasons	Subject to the prior Regulatory Approval thereto having been obtained (to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), if: (a) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 August 2023; and (b) such obligation will apply on the occasion of the next payment due in respect of the Bonds and cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Bonds then due, as further described in Condition 6(B) of the Terms and Conditions.

Redemption at the Option of the Issuer	Subject to the prior Regulatory Approval thereto having been obtained (to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notices shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), redeem at its option all but not some only of the Bonds then outstanding on the Call Date, at their outstanding principal amount together with any interest accrued to (but excluding) the date of redemption, as further described in Condition 6(C) of the Terms and Conditions.
Redemption upon a Regulatory Event	Subject to the prior Regulatory Approval thereto having been obtained (to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), at their outstanding principal amount (together with any interest accrued to (but excluding) the date of redemption), if a Regulatory Event occurs after the Issue Date, as further described in Condition 6(D) of the Terms and Conditions. "**Regulatory Event**" is deemed to have occurred if, as a result of any change of law, regulation or guidelines or interpretation thereof, which change becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) after the Issue Date, the Bonds are or would no longer be recognised by the Insurance Regulator as regulatory capital (in whole or in part) (including, but not limited to, classification as Tier 2 Capital Securities under the Relevant Rules then applicable) of the Issuer (other than as a result of any discounting or amortisation requirements as to the eligibility of the Bonds for such inclusion pursuant to the relevant law and regulation then in force, or non-qualification solely by virtue of the Issuer already having on issue securities with an aggregate principal amount up to or in excess of the limit of such type of securities as permitted from time to time by the Insurance Regulator).

Redemption for Minimum Outstanding Amount	Subject to the prior Regulatory Approval thereto having been obtained (to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), at their outstanding principal amount (together with any interest accrued to (but excluding) the date of redemption), if, immediately before giving such notice, the aggregate principal amount of the Bonds outstanding is less than 20 per cent. of the aggregate principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 12 and consolidated and forming a single series with the Bonds), as further described in Condition 6(E) of the Terms and Conditions.
Conditions for Redemption and Purchase in Respect of the Bonds	Notwithstanding any other provision in the Terms and Conditions, the Issuer shall not redeem any of the Bonds and neither the Issuer nor any of its Subsidiaries shall purchase any of the Bonds unless the prior Regulatory Approval thereto shall have been obtained, to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer.
Enforcement Event; Winding-Up Proceedings	If the Issuer does not make payment of any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such failure continues for a period of ten days (each, an "**Enforcement Event**") any Bondholder may institute proceedings for a Winding-Up of the Company in Hong Kong. In the event of a Winding-Up of the Company (whether or not an Enforcement Event has occurred and is continuing) the Bonds shall become immediately due and payable at their outstanding principal amount together with any interest accrued to (but excluding) the date of actual payment without further action or formality.

	Without prejudice to the above, any Bondholder may without further notice, institute such proceedings against the Issuer if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Bonds binding on it under the Terms and Conditions (other than any obligation of the Issuer for the payment of any principal or interest in respect of the Bonds), **provided that** the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Bonds sooner than the same would otherwise have been payable by it. Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for above or submitting a claim in the Winding-Up of the Company will be available to the Bondholders.
Taxation	All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within Hong Kong, the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on 8 August 2023 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer is required to make a deduction or withholding by or within Hong Kong or the PRC (but only to the extent in excess of the Applicable Rate), the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in the circumstances set out in Condition 7 of the Terms and Conditions.

Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further Bonds either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.
Governing Law	The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that the subordination provisions set out in Condition 3(B) of the Terms and Conditions shall be governed by, and construed in accordance with, the laws of the PRC.
Use of Proceeds	The Issuer intends to use the net proceeds of the issue of the Bonds, after deducting the fees and other expenses in connection with the issue of the Bonds, to supplement its capital. See "*Use of Proceeds*".
Form and Denomination.	The Bonds are issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Rating.	The Bonds are expected to be rated "A–" by S&P.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States, and are being offered only outside the United States in reliance on Regulation S of the Securities Act. There are restrictions on the offer and sale of the Bonds in certain jurisdictions, including the United States, the European Economic Area, the United Kingdom, Hong Kong, the PRC, Japan, Singapore and Taiwan. For a description of the selling restrictions on offers, sales and deliveries on the Bonds, see "*Subscription and Sale*".
Fiscal Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Transfer Agent, Principal Paying Agent, Registrar and Calculation Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)

Clearing Systems	The Bonds will be represented initially by the Global Certificate, which will be registered in the name of, or a nominee for, and deposited with, a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through the records maintained by or Euroclear or of Clearstream. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.
Security Code	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 262131904 and the ISIN for the Bonds is XS2621319040.
Legal Entity Identifier	The Legal Entity Identifier of the Company is 254900GB3V5T9KMKQT53.

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated.

The summary consolidated financial information as at and for the years ended 31December 2020, 2021 and 2022 set forth below is derived from the Company's audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such audited consolidated financial statements of the Group and, including the notes thereto, included in this Offering Circular.

The audited consolidated financial statements of the Company as at and for the years ended 31December 2021 and 2022 have been prepared and presented in accordance with HKFRSs and have been audited by PricewaterhouseCoopers, the Company's current independent auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December		
	2020	**2021**	**2022**
	(Restated)[1]	**(Audited)**	**(Audited)**
		(HK$'000)	
Insurance premium revenue	68,930,584	59,673,834	49,151,737
Insurance premium ceded to reinsurers	(12,292,743)	(6,734,301)	(12,998,908)
Net insurance premium revenue	56,637,841	52,939,533	36,152,829
Net investment income	18,493,178	21,271,911	8,288,255
Other income	93,163	85,891	118,931
	75,224,182	74,297,335	44,560,015
Insurance claims and loss adjustment expenses	(54,567,925)	(92,108,915)	(61,207,737)
Insurance claims and loss adjustment expenses recovered from reinsurers	913,842	706,800	133,872
(Increase)/decrease in insurance contract liabilities	(23,826,188)	20,487,107	14,088,137
Increase in reinsurance assets	11,323,356	6,154,384	13,364,392
Net insurance benefits and claims	(66,156,915)	(64,760,624)	(33,621,336)
Expenses for the acquisition of insurance and investment contracts	(3,057,129)	(4,867,067)	(3,660,426)
Commissions on reinsurance ceded	525,538	156,244	123,687
Other operating expenses	(1,516,131)	(1,912,094)	(2,000,141)
Net expenses	(70,204,637)	(71,383,541)	(39,158,216)
Results of operating activities	5,019,545	2,913,794	5,401,799
Finance costs	(2,559,613)	(2,398,149)	(1,999,395)
Share of (losses)/profits of associates and joint ventures	(368,385)	914,313	(55,002)
PROFIT BEFORE TAX	2,091,547	1,429,958	3,347,402
Income tax expense	(149,870)	(65,208)	(184,901)
PROFIT FOR THE YEAR	1,941,677	1,364,750	3,162,501
Attributable to:			
Owners of the parent	1,952,083	1,347,952	3,175,183
Non-controlling interest	(10,406)	16,798	(12,682)
	1,941,677	1,364,750	3,162,501

Note:

(1) The summary consolidated financial information of the Company as at and for the year ended 31 December 2020 is derived from the audited consolidated financial statements of the Company as at and for the year ended 31 December 2021. Certain financial figures as at and for the year ended 31 December 2020 were restated in the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 as a result of certain errors identified in Company's comparative financial information previously presented. For details of such errors and the impact of the restatement, please see "*Notes to the Consolidated Financial Statements — 43. Restatement of prior year balances*" of the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2020	2021	2022
	(Restated)[1]	(Audited)	(Audited)
		(HK$'000)	
PROFIT FOR THE YEAR	1,941,677	1,364,750	3,162,501
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	3,409,869	(419,335)	(13,465,190)
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss			
— Net gains on disposal	(749,888)	(1,141,672)	2,880,858
— Impairment losses	1,565,129	441,300	2,568,919
Income tax effect	(835,289)	205,548	1,239,332
	3,389,821	(914,159)	(6,776,081)
Share of other comprehensive (loss)/income of associates and joint ventures	(1,762)	194,552	2,202
Currency translation difference	—	19,747	(363,221)
Net other comprehensive income/(loss) to be reclassified to the consolidated statement of profit or loss in subsequent periods	3,388,059	(699,860)	(7,137,100)
Other comprehensive income not to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
(Loss)/gain on property revaluation	(149,929)	249,511	(245,804)
Income tax effect	(192)	(470)	38
	(150,121)	249,041	(245,766)
Re-measurement of defined benefit obligation	251	267	—
Currency translation difference	9,311	186,704	(109)
Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods	(140,559)	436,012	(245,875)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	3,247,500	(263,848)	(7,382,975)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	5,189,177	1,100,902	(4,220,474)
Attributable to:			
Owners of the parent	5,202,177	1,112,399	(4,125,249)
Non-controlling interest	(13,000)	(11,497)	(95,225)
	5,189,177	1,100,902	(4,220,474)

Note:

(1) The summary consolidated financial information of the Company as at and for the year ended 31 December 2020 is derived from the audited consolidated financial statements of the Company as at and for the year ended 31 December 2021. Certain financial figures as at and for the year ended 31 December 2020 were restated in the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 as a result of certain errors identified in Company's comparative financial information previously presented. For details of such accounting errors and the impact of the restatement, please see "*Notes to the Consolidated Financial Statements — 43. Restatement of prior year balances*" of the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 included elsewhere in this Offering Circular.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the year ended 31 December		
	2020	2021	2022
	(Restated)[1]	(Audited) (HK$'000)	(Audited)
ASSETS			
Property and equipment	4,311,321	4,206,286	3,799,445
Investment properties	14,501,755	14,744,316	13,688,168
Intangible assets	165,532	203,718	255,859
Deferred tax assets	24	24	417,129
Statutory deposit	1,500	1,500	1,500
Investment in associates	3,704,162	4,263,104	2,516,190
Investment in joint venture	491,615	525,842	463,278
Reinsurance assets	13,701,971	19,804,319	33,123,300
Debt securities			
— Held-to-maturity	301,145,808	263,988,316	248,511,347
— Available-for-sale	24,571,057	49,440,697	60,525,343
— At fair value through profit or loss	3,482,707	2,428,490	2,855,252
Unit trust			
— Available-for-sale	32,964,605	35,010,216	19,977,956
— At fair value through profit or loss	15,751,760	15,481,565	14,276,335
Equity securities			
— Available-for-sale	13,046,479	8,277,113	6,115,074
— At fair value through profit or loss	7,843,250	5,472,246	3,716,430
Derivatives			
— At fair value through profit or loss	226,631	241,553	297,197
Loans and receivables	7,531,985	7,221,278	7,422,192
Other debtors, prepayments and deposits, unsecured	1,539,563	3,286,489	2,490,925
Cash and bank deposits	32,806,675	35,204,537	42,639,458
Total assets	477,788,400	469,801,609	463,092,378
LIABILITIES			
Insurance contract and investment contract with DPF liabilities	317,605,274	297,103,920	283,054,453
Interest-bearing borrowings	1,931,573	6,528,030	4,537,334
Lease liabilities	43,680	33,096	22,524
Amounts due to reinsurers	11,051,013	13,256,399	22,080,053
Policyholders' funds on deposit	57,488,105	66,916,091	54,804,536
Other insurance liabilities	36,878,523	40,650,809	45,648,595
Other payables and accrued charges	25,406,060	5,402,876	4,839,065
Securities sold under repurchase agreements	—	11,641,999	24,726,581
Derivatives			
— At fair value through profit or loss	946	3,764	5,252
Deferred tax liabilities	1,140,083	924,622	29
Current tax liabilities	44,811	40,769	295,196
Total liabilities	451,590,068	442,502,375	440,013,618
NET ASSETS	26,198,332	27,299,234	23,078,760
EQUITY			
Equity attributable to owners of the parent			
Share capital	7,919,828	7,919,828	7,919,828
Other reserves	12,352,031	12,116,478	4,816,046
Retained earnings	5,653,188	7,001,140	10,176,323
	25,925,047	27,037,446	22,912,197
Non-controlling interest	273,285	261,788	166,563
Total equity	26,198,332	27,299,234	23,078,760

Note:

(1) The summary consolidated financial information of the Company as at and for the year ended 31 December 2020 is derived from the audited consolidated financial statements of the Company as at and for the year ended 31 December 2021. Certain financial figures as at and for the year ended 31 December 2020 were restated in the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 as a result of certain errors identified in Company's comparative financial information previously presented. For details of such accounting errors and the impact of the restatement, please see "*Notes to the Consolidated Financial Statements — 43. Restatement of prior year balances*" of the Company's audited consolidated financial statements as at and for the year ended 31 December 2021 included elsewhere in this Offering Circular.

Investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Bonds. The risks and uncertainties described below may not be the only ones that the Issuer or the Group faces. Additional risks and uncertainties not currently known by the Issuer or which are currently deemed to be immaterial may also adversely affect the business, financial condition or results of operations of the Issuer or the Group. If any of the possible events described below occurs, the Issuer's or the Group's business, financial condition or results of operations could be materially and adversely affected. In such case, the Issuer may not be able to satisfy its obligations under the Bonds and investors could lose all or part of their investment. Words and expressions defined in "Terms and Conditions of the Bonds"shall have the same meanings in this section.

Risks Relating to the Bonds

The Bonds may not be a suitable investment for all investors.

The Bonds are offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Bonds in the primary or secondary markets unless they are professional investors. The Bonds are complex investment securities. Sophisticated institutional investors generally do not purchase complex investment securities as stand-alone investments. They purchase complex investment securities as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets;

- understand the tax consequence of the purchase, ownership and disposition of the Bonds; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The approach of PRC regulators may change in the future and the issuance of indebtedness (including the Bonds) by the Company may be subject to approval requirements implemented by PRC regulators.

The Company does not currently operate any insurance business in the PRC. However, the Company is a PRC incorporated company and in accordance with the Administrative Measures for Subordinated Term Debts of Insurance Companies (保險公司次級定期債務管理辦法, revised in 2013 and 2018, the "**Subordinated Term Debts Measures**"), an insurance company incorporated in the PRC shall obtain the approval from the PRC Insurance Regulatory Authority for issuance of subordinated term notes. The Subordinated Term Debts Measures do not distinguish between an onshore issuance of such notes and an offshore issuance. The articles of association of the Company also state that, prior to issuance of debt securities, the Company is required to submit such proposed issuance for approval to the PRC Insurance Regulatory Authority. The Company has consulted with the relevant department of the PRC Insurance Regulatory Authority which is in charge of supervising the solvency capital requirements of, and compliance therewith by, insurance companies. The relevant official informed the Company that the Company's solvency capital requirements are not under the supervision of the PRC Insurance Regulatory Authority and therefore any issuance of capital debt securities by the Company does not require prior approval by, or filing with, the PRC Insurance Regulatory Authority. Based on the consultation with the official of the PRC Insurance Regulatory Authority, the Company is of the view that the issuance of the Bonds is not subject to prior approval by, or filing with, the PRC Insurance Regulatory Authority.

The Company believes that the response from the relevant official of the PRC Insurance Regulatory Authority represents the current regulatory approach of the PRC Insurance Regulatory Authority towards the Company's insurance business operations in Hong Kong. However, there can be no assurance that the PRC Insurance Regulatory Authority will not change its regulatory approach in the future. In the event that there is a future change in regulatory position and the PRC Insurance Regulatory Authority specifies that the issuance of the Bonds should have been subject to its prior consent pursuant to the Subordinated Term Debts Measures, the Issuer could be subject to administrative penalties (including the imposition of a fine) as set out in the Subordinated Term Debts Measures and the impact on the Bonds is uncertain.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Issuer, the repayment of the Bonds may be compromised if:

- the Issuer or the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Company's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Company's indebtedness.

If any of these events were to occur, the Issuer's or the Company's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

Any failure to complete the relevant filings under the NDRC Administrative Measures and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

On 5 January 2023, the NDRC promulgated the NDRC Administrative Measures, which took effect on 10 February 2023. The Company has registered the issuance of the Bonds with the NDRC and obtained an Enterprise Foreign Debt Examination Registration Certificate from NDRC on 14 June 2023 evidencing such registration. According to the NDRC Administrative Measures, an enterprise is obligated to: (i) submit to the NDRC the offering information (including, without limitation, major business indicators of such enterprise and issue details of the relevant foreign debt) within 10 PRC working days after the completion of the issuance or drawdown of such foreign debt; (ii) submit to the NDRC the offering information related to the pre-issuance registration within 10 PRC working days after the expiry date of such registration; (iii) submit to the NDRC the requisite information, including, without limitation, the use of proceeds, repayment details and plans of the principal and interest, and major business indicators, within five PRC working days before the end of January and July of each year; and (iv) submit the relevant information to the NDRC promptly upon the occurrence of any material event that may affect the due performance of debt obligations and take measures to avoid the spill over of default risk and the cross-default risk of onshore bonds. Failure to comply with such ongoing post-issuance obligations and continuing obligations under the NDRC Administrative Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The NDRC Administrative Measures are relatively new and there is a lack of clear statutory interpretation regarding how they will be enforced and interpreted. In the worst-case scenario, such non-compliance may adversely affect the enforceability and/or effective performance of the Bonds. In addition, the administration of the NDRC Administrative Measures may be subject to a certain degree of executive and policy discretion by the NDRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer intends to file or cause to be filed with the NDRC the requisite information in accordance with the NDRC Administrative Measures and comply with all applicable PRC laws and regulations (to the extent required) in relation to the Bonds.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the "**Foreign Debt Registration Measures**") issued by SAFE on 28 April 2013, which came into effect on 13 May 2013 and as revised on 4 May 2015, the Issuer may be required to complete foreign debt registration in respect of the issue of the Bonds with the local branches of SAFE in accordance with laws and regulations. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations (外匯管理條例) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. In the event that registration of the Bonds with SAFE is required and having exercised its best endeavours, the Issuer is unable to complete applicable SAFE registration, holders will not have the right to require the Issuer to redeem the Bonds and such failure to complete the registration will not, in and of itself, give rise to a right to accelerate the Issuer's payment obligations under the Bonds. If the Issuer is unable to complete the registration with the local branches of SAFE, the Issuer may have difficulty in making such remittance, if funds are requested to be remitted out of the PRC to service payment in respect of the Bonds, and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.

The PRC government has no obligations under the Bonds

The PRC government has no obligations under the Bonds. The Bonds are solely to be repaid by the Issuer as a legal entity separate from the PRC government. In addition, any ownership or control by the PRC government of the Issuer does not necessarily correlate to, or provide any assurance as to, the Issuer's financial condition.

The Issuer's obligations under the Bonds are subordinated and there are limited remedies for non-payment under the Bonds.

The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority of payment among themselves.

Subject to the insolvency laws of Hong Kong, the PRC and other applicable laws, in the event of a Winding-Up of the Company, the rights of the Bondholders to payment of principal and interest on the Bonds, and any other obligations in respect of the Bonds, shall rank: (i) subordinate and junior in right of payment to, and of all claims of (a) all present and future policyholders and non-subordinated creditors of the Company, and (b) the holders of all other obligations of the Company whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of any instrument or other obligation, present or future, issued, entered into, or guaranteed by the Company that ranks or is expressed to rank *pari passu* with the Bonds by operation of law or contract, which, for the avoidance of doubt, excludes any Junior Obligations of the Company; and (iii) senior in right of payment to and of all claims of the holders of the ordinary share capital and any other class of the share capital of the Company (including, without limitation, any preference shares) and any Junior Obligations of the Company.

In the event of a Winding-Up that requires the Bondholders to provide evidence of their claim to principal or interest under the Bonds, such claims of the Bondholders will only be satisfied after all senior ranking obligations of the Company have been satisfied in whole. In the event of a shortfall of funds on a Winding-Up of the Company, there is a real risk that an investor in the Bonds will lose all or some of its investment and will not receive a full return of the principal amount of any unpaid amounts due under the Bonds.

None of the Bondholders shall have any right to accelerate any payment of principal or interest under the Bonds other than following the initiation of any Winding-Up proceedings in respect of the Company. Under the PRC laws and regulations, the prior approval of the PRC Insurance Regulatory Authority would need to be obtained in order for a Winding-Up of a PRC insurance company to proceed. A creditor's petition for the Winding-Up of a Chinese insurance company may also be subject to the prior approval of the PRC Insurance Regulatory Authority.

The Financial Institutions (Resolution) Ordinance may adversely affect the Bonds.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions, insurance sector entities and other financial institutions in Hong Kong which are designated as a "within scope" entity, which may, in the future, include the Issuer or the Company. The resolution regime seeks to provide the relevant resolution authorities, including, but not limited to, the IA as the relevant resolution authority for insurance companies in Hong Kong, with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. As at the date of this Offering Circular, neither the Issuer nor the Company is an "insurance sector entity" as defined in the FIRO. All holders of Bonds could be subject to and bound by the FIRO to the extent applicable.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount together with interest accrued to (but excluding) the date of redemption (i) if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts, as further described in Condition 6(B) of the Terms and Conditions, (ii) subject to certain conditions, at the option of the Issuer on the Call Date, as further described in Condition 6(C) of the Terms and Conditions, (iii) if, subject to certain conditions, a Regulatory Event occurs after the Issue Date, as further described in Condition 6(D) of the Terms and Conditions, or (iv) subject to certain conditions, if the aggregate principal amount of the Bonds then outstanding is less than 20 per cent. of the aggregate principal amount of the Bonds originally issued, as further described in Condition 6(E).

In particular, prior to any such redemption, the Issuer must obtain the prior Regulatory Approval thereto, to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer. There is no assurance that the Issuer will, or will not, exercise any option to redeem the Bonds. There is also no assurance that, if the Issuer seeks to exercise any option to redeem the Bonds, it will be able to obtain Regulatory Approval for such redemption.

If the Issuer redeems the Bonds prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may raise other capital which affects the price of the Bonds.

The Issuer may raise additional capital through the issue of other debt securities or other means. There is no restriction, contractual or otherwise, on the amount of debt securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such debt securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Bonds on the Winding-Up of the Company. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of holders to sell their Bonds.

The ratings of the Bonds and/or the Company may be downgraded or withdrawn.

The Bonds are expected to be rated "A–" by S&P. The rating represents the opinions of the rating agency and its assessment of the Issuer's ability to perform its obligations under the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. In addition, the Company has an insurer financial strength rating (IFSR) of "A1"by Moody's, and an issuer credit rating and a financial strength rating of "A"by S&P. A rating is not a recommendation to buy, sell or hold securities. The ratings can be downgraded or withdrawn, due to a change in rating methodology, a reconsideration of previous analyses and assessments, or otherwise, and a downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Bonds and the Issuer's ability to access the debt capital market. The Issuer cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. Each rating should be evaluated independently of any other rating of the Bonds or other securities of the Issuer or the Company (if any). A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Bonds may adversely affect the market price of the Bonds. The Issuer is not obliged to inform the holders of the Bonds if any rating is downgraded or withdrawn.

An active trading market for the Bonds may not develop.

The Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, even if a market develops for the Bonds, it may not be liquid and the holders of the Bonds may encounter difficulties in selling these Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales regardless of the Group's performance. In addition, to the extent that the Issuer is not able to obtain or maintain a listing and quotation of the Bonds on the Hong Kong Stock Exchange, the sustainability and liquidity of the Bonds may be adversely affected. Furthermore, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's revenues, earnings and cash flows, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

Investment in the Bonds is subject to exchange rate risks.

The value of the U.S. dollar against other foreign currencies fluctuates and is affected by changes in international political and economic conditions and by many other factors. The Issuer will make all payments of principal and interest with respect to the Bonds in U.S. dollars. As a result, the value of these payments in other applicable foreign currency terms may vary with the prevailing exchange rates in the marketplace. For example, when investors buy the Bonds, they may convert their foreign currency to U.S. dollars at the exchange rate available at that time. If the value of U.S. dollars depreciates against such foreign currency between then and when the Issuer pays back the principal of the Bonds in U.S. dollars, the value of investment in such foreign currency terms will have declined.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The rate of interest on the Bonds will be reset after the Call Date, which may affect the market value of the Bonds.

The Bonds will initially confer a right to receive interest at the fixed rate of 5.35 per cent. per annum to, but excluding, the Call Date. However, from and including the Call Date to, but excluding, the Maturity Date, the rate of interest will be reset to the Reset Interest Rate equal to the aggregate of (a) the then-prevailing Benchmark Rate (as defined in the Terms and Conditions) and (b) the initial spread of 1.232 per cent. per annum. The Reset Interest Rate could be less than the initial fixed rate and could therefore affect the market value of an investment in the Bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law (except for the subordination provisions set out in Condition 3(B) of the Terms and Conditions, which are governed by the laws of the PRC), whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement of the Supreme People's Court between the Courts of the Mainland and of the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (Fa Shi [2008] No. 9) (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判决的安排(法釋[2008]9號)), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement of the Supreme People's Court between the Courts of the Mainland and of the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities are not required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside Hong Kong will be limited. There can be no assurance that investors can successfully effect service of process against the Company or the Company's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC. Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United

States, the United Kingdom or some other European countries or Japan. Hence, additional procedures may be required for the recognition and enforcement in the PRC of a judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision.

Investors shall be aware of the effect of change of law.

The Terms and Conditions relating to subordination are governed by PRC law while the other provisions of the Terms and Conditions are governed by English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to PRC law and/or English law, or administrative practice after the date of this Offering Circular.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

The Issuer is the Hong Kong branch of the Company which is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and as revised on 24 February 2017 and 29 December 2018 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which was most recently revised on 31 August 2018, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. The Issuer is the Hong Kong branch of the Company, which is incorporated in the PRC, therefore it is uncertain whether interest paid by the Issuer to non-resident Bondholders may be regarded as PRC-sourced. If such payments are deemed by tax authorities as PRC-sourced, such payments will be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges (as described below) on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties. Pursuant to City Maintenance and Construction Tax Law of PRC (中華人民共和國城市維護建設稅法), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知) and based on consultation with the Shenzhen local taxation bureau, a city maintenance and construction tax (seven per cent.), an educational surcharge (two per cent.) and a local educational surcharge (two per cent.) will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 12 per cent. on any VAT payable).

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

The ability of the Issuer to fulfil its payment obligations to the Bondholders may depend on the performance of contractual obligations of other parties.

The ability of the Issuer to make payments in respect of the Bonds may depend upon the due performance of the respective obligations of the other parties to the transaction documents, including the performance by the Fiscal Agent, the Principal Paying Agent, the Transfer Agent, the Registrar and/or the Calculation Agent of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of the Bonds, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Bondholders.

The Bonds will be evidenced by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Bonds will be evidenced by a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream (a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. For so long as the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

For so long as the Bonds are evidenced by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global

Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies.

Bondholders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Decisions that may be made on behalf of all Bondholders may be adverse to the interests of individual Bondholders and the revision of the Terms and Conditions may be subject to the relevant regulatory authority's approval.

The Fiscal Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a video conference platform) of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Bondholders may be adverse to the interests of individual Bondholders. In addition, the revision of the Terms and Conditions is subject to the IA's approval.

Risks Relating to the Group's Business

Market fluctuations and general economic conditions in the geographical markets in which the Group operates inherently impact the Group's businesses and investments.

The Group's businesses and investments are inherently subject to market fluctuations and general economic conditions in the geographical markets in which the Group operates. Significant market volatility, and government actions taken in response, may exacerbate some of the risks the Group faces. Concerns about global economic conditions may continue to cause elevated levels of market volatility. Global financial markets have experienced, and/or continue to experience, uncertainty brought on by COVID-19, various political events such as the Russia-Ukraine conflict and changes to monetary policies among the world's major economies, which may prompt a new round of volatility in capital flows. The U.S. has raised its federal funds rate, which has pushed up global borrowing costs. There are also ongoing concerns over economic growth and investor confidence in the Eurozone, the United States and Asia Pacific, decreased confidence in the banking industry, the possible consequences of monetary policies of central banks, regional and geopolitical instability in the Middle East, Eastern Europe, Asia Pacific and other parts of the world, international trade disputes, a general slowing of global demand, fluctuations in prices of commodities and major raw materials, among other concerns, that may cause market fluctuations and affect general economic conditions. Upheaval in the financial markets may affect general levels of economic activity, employment and customer behaviour. In addition, difficult operating conditions could reduce the demand for the Group's products and services, reduce the returns from, or give rise to defaults or losses in, the Group's investment portfolio, increase lapse risk and otherwise have a material adverse effect on the Group's business, financial condition or results of operations. For example, insurers may experience an elevated incidence of claims, lapses or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums. The demand for insurance products may also be adversely affected. Any sustained volatility in the global financial markets is likely to have a negative impact on the insurance sector over time and may consequently have a negative impact on the Group's business, financial condition and results of operations. Moreover, any economic instability or downturn in the global economy may have a negative impact on the insurance sector and, in turn, a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business operations are mainly concentrated in Hong Kong and Macau.

The Group's operations are based in Hong Kong, Macau, Singapore and Indonesia, with a large majority of the Group's revenue and profit being derived from operations conducted in Hong Kong and Macau. While the business has grown in the Hong Kong and Macau insurance markets in recent years and the Group believes that the market penetration could increase, there is no assurance that such growth will continue at the same rate or at all or that the level of new business will not decrease. Furthermore, the impact on the Hong Kong and Macau insurance industries of certain trends and events, such as the pace of economic growth, is unclear. Consequently, the growth and development of the Hong Kong and Macau insurance markets are subject to a number of uncertainties that are beyond the Group's control. Any reduction in growth or any decrease in new business in Hong Kong or Macau could have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in interest rates may affect the Group's profitability.

The Group's profitability is affected by changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond the Group's control. During periods of declining interest rates, the income the Group realises from its investments may decrease, affecting its profitability. In addition, as instruments in the Group's investment portfolio mature, the Group might have to reinvest the funds it receives in investments bearing low interest rates, which may also affect its profitability. During periods of increasing interest rates, surrenders and withdrawals of insurance and annuity policies and contracts may increase as policy holders may seek other investments with higher perceived returns. This process may result in cash outflows requiring that the Group sells investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised investment losses.

For the Group's life insurance and annuity products, the Group is obligated to pay contractual benefits to its policyholders or annuitants based on a guaranteed interest or crediting rate, which is established when the product is priced. These products expose the Group to the risk that changes in interest rates may change its "spread", or the difference between the rate of return the Group is able to earn on its investments intended to support its insurance obligations and the amounts that the Group is required to pay under the policies.

If the Group is unable to further develop alternative distribution channels for its products, its growth may be materially and adversely affected.

Bancassurance is the Group's major distribution channel. Commercial banks are rapidly emerging as some of the fastest growing distribution channels. Newly established local and foreign-invested life insurance companies have been focusing on commercial banks as one of their main distribution channels. Therefore, the Group's sales may be materially and adversely affected if one or more commercial banks choose to favour the Group's competitors' products over its own. The termination of, disruption to, or any other adverse change to, the Group's relationships with the banks with which the

Group has distribution arrangements, or the formation of any exclusive partnerships between these banks and any of the Group's competitors, could significantly reduce sales of the Group's products and the Group's growth opportunities.

There is no assurance that the Group's bancassurance arrangements will not be terminated or will be renewed on acceptable terms. Regulatory changes with respect to the bancassurance business and distribution of bancassurance products may materially and adversely affect the Group's relationships and arrangements with these banks or restrict the Group's ability to expand further its bancassurance arrangements with such banks or limit and/or constrain the ability of the banks and the Group to sell insurance products through bank branches.

In addition, as the bancassurance market becomes increasingly competitive, commercial banks may demand higher commission rates, which could increase the Group's cost of sales and reduce profitability. If the Group is unable to continue to develop its alternative distribution channels, its growth may be materially and adversely affected.

If the Group's role in the Parent Group changes, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group functions as the overseas platform for the Parent Group, and has received and continues to receive strong support from the Parent Group in the form of, among others, business cooperation and financial support. There is no assurance that the Group's role within the Parent Group will not be changed, or that such support will always continue or not be reduced. In addition, the Parent Company mainly operates in the PRC and is 90 per cent. owned by the Ministry of Finance of the PRC and 10 per cent. owned by the National Council for Social Security Fund of the PRC. In the event that the Group's role changes within the Parent Group or if the Parent Group reduces its support to the Group because of a slowdown in the growth of the PRC economy or the business of the Parent Group, or any possible reorganisation in the Parent Group in response to the PRC governmental policy or otherwise, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group may incur foreign exchange and other losses for its investments denominated in foreign currencies.

The reporting currency of the Group's financial statements is Hong Kong dollars, while approximately 83.59 per cent. of the Group's total assets as at 31 December 2022 are held in foreign currencies, including U.S. dollars and Renminbi. The Group also has transactional currency exposures, which arise from inception of the reinsurance policies denominated in currencies other than the Group's functional currencies. Although, under the pegging currency mechanism between the Hong Kong dollar and the U.S. dollar, the currency risk exposure in relation to the assets denominated in U.S. dollars is minimal, the investment results of the Group may be subject to foreign exchange risks, as well as the volatility and various other factors of overseas capital markets, including, among others, increase in interest rates. It remains unclear what further fluctuations may occur or what impact this will have on the value of the U.S. dollar and Renminbi. Future movements in the exchange rate of the Hong Kong dollar against the U.S. dollar, Renminbi and other foreign currencies may adversely affect the results of operations and financial condition of the Group.

The Group's businesses are highly regulated and changes to regulation of its businesses or failure to comply with such regulations may adversely affect its business.

The Group is subject to laws, rules and regulations that regulate all aspects of its business. The primary purpose of the insurance law and related regulations is to protect policyholders. See "— *Risks relating to the Group's Industry — Insurance companies are subject to laws and regulations which give priority to policyholders*".

Insurance laws and regulations place restrictions on the types of businesses that the Group may engage in, impose limits on the types of investments that it may make and require it to maintain specified reserves and a minimum solvency margin ratio. The insurance laws and regulations in each market may also give the relevant regulator regulatory power over the Group's businesses, including, without limitation, the authority to revoke operating licences, suspend operations, request information and conduct rigorous on-site inspections of books and records. See "*Regulation*" and "— *Compliance with solvency and capital requirements may force the Group to raise additional capital, change the Group's business strategy or reduce its growth*".

Some of the laws, rules and regulations that the Group is subject to in the geographical markets in which it operates are relatively new (including laws and regulations relating to data privacy) and their interpretation and application remain uncertain. For example, The International Association of Insurance Supervisors (the "**IAIS**"), of which the IA, the Monetary Authority of Macao ("**AMCM**"), the Monetary Authority of Singapore (the "**MAS**"), the Financial Service Authority ("**OJK**") in Indonesia and the PRC Insurance Regulatory Authority are all members, has been examining the possible adoption of new standards for solvency assessment. The new regulations, which will introduce a solvency regime based on economic value, are expected to be significantly different from the current regulations. Additional requirements that may be proposed in the future, such as the Insurance Capital Standard (the "**ICS**"), currently developed by the IAIS as part of its Common Framework for the Supervision of Internationally Active Insurance Groups, could result in significant changes to the current solvency margin regulations, and restrictions included in any such new regulations could result in new limitations on the Group's business or investment activities. Failure to comply with any of the applicable laws, rules and regulations, including as a result of changes to rules and regulations or the changing interpretation thereof by relevant regulators, could result in fines, an increase in expenses or capital in order to achieve compliance, suspension of the Group's business licences or, in extreme cases, business licence revocation, each of which would have a material adverse effect on the Group's business, financial condition and results of operations. In addition, failure to implement and maintain effective internal controls could impact the reliability of the Group's financial statements and the Group's ability to comply with applicable laws, rules and regulations.

In addition, changes in Chinese regulations or laws may have an impact on Hong Kong businesses, including the Group's businesses in Hong Kong. Any changes in Chinese government policy or changes in the rules or policies of market participants, such as finance or payment system providers or intermediaries that, for example, make it more difficult or costly for Chinese customers to purchase insurance products in the Hong Kong market, may materially affect the Group's Hong Kong business.

The growth of the Group could be affected by its ability to attract and retain productive agents.

A portion of the Group's business is conducted through its exclusive agents. Because of differences in productivity, some of the Group's sales agents are responsible for a disproportionately high percentage of the sales of individual products. If the Group is unable to retain and build on this core group of highly productive agents, its business could be materially and adversely affected. Increasing competition for agents from other insurance companies and business institutions and increasing labour costs may also force the Group to increase the compensation of its agents, which would increase its operating costs and reduce its profitability. In addition, there is no assurance that there will not be any regulatory restriction imposed in the future on the qualification of agents, which may affect the supply of the agents.

The Group is dependent on its continuing ability to recruit, motivate and retain suitable agents and distribution partners to distribute its products.

The Group faces competition to attract and retain agency leaders and individual agents. The Group competes with other companies for the services of agents on the basis of its reputation, product range, compensation and retirement benefits, training, support services and financial position. Further, access to the bancassurance and brokerage distribution channels is subject to similar competition. Any adverse movement in any of these factors could inhibit the Group's ability to attract and retain adequate numbers of qualified agents and adversely impact its ability to maintain and develop relationships with other distribution partners.

Increasing competition for experienced individual insurance agents from insurance companies and other business institutions may also force the Group to increase the compensation of its agents, which would increase operating costs and reduce the Group's profitability. Furthermore, there is no assurance that the Group will be able to maintain these relationships at an acceptable cost, or at all. To the extent that the Group is not able to maintain its existing distribution relationships or secure new distribution relationships, the Group may not be able to maintain or increase its premiums generated from new business, which may materially and adversely affect the Group's business, financial condition and results of operations.

Agent, employee and distribution partner misconduct is difficult to detect and deter and could harm the reputation of the Group or lead to regulatory sanctions or litigation costs.

Agent, employee or distribution partner misconduct could result in violations of law by the Group, regulatory sanctions, litigation or serious reputational or financial harm. Misconduct could include:

- engaging in misrepresentation or fraudulent activities when marketing or selling insurance policies or annuity contracts to customers;

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses; or

- otherwise not complying with laws or the Group's control policies or procedures.

The Group may not always be able to deter agent, employee or distribution partner misconduct, and the precautions it takes to prevent and detect these activities may not be effective in all cases. There is no assurance that agent, employee or distribution partner misconduct will not lead to a material adverse effect on the Group's reputation, business, results of operations, financial condition or prospects.

The Group's business is dependent on its ability to attract and retain key personnel, including senior management, underwriting personnel, actuaries, information technology specialists, investment managers and other professionals.

The success of the Group's business is dependent to a large extent on the Group's ability to attract and retain key personnel who have in-depth knowledge and understanding of the insurance market, including members of the Group's senior management, qualified underwriting personnel, actuaries, information technology specialists and experienced investment managers. Existing insurers are expanding their operations and the number of other financial institutions is growing. As the insurance and investment businesses continue to expand in the markets in which the Group operates, the Group expects that competition for these personnel will increase in the future. Although the Group has not had difficulty in attracting and retaining qualified key personnel in the past, there is no guarantee that this will continue to be the case. If the Group was unable to continue to attract and retain key personnel, its business and financial performance could be materially and adversely affected.

Differences in future actual operating results from the assumptions used in pricing and establishing reserves for the Group's insurance and annuity products may materially affect the Group's earnings.

The Group's earnings depend significantly upon the extent to which the Group's actual operating results are consistent with the relevant assumptions used in setting the prices for the Group's products and establishing the reserves in the financial statements of the Group. The determination of the liabilities under insurance contracts is dependent on estimates made by the Group, in particular with regard to mortality, morbidity and investment returns. The Group makes investment return assumptions based on estimates of future yields on the Group's investments. The Group also determines its mortality assumptions, on a prudent basis, with reference to the Group's historical mortality experience. As such, the liabilities for future benefit payments and premiums arising from insurance contracts may not represent the ultimate amounts paid out to policyholders. A number of other reserves, including resilience reserves and currency mismatch reserves, are set up for the Group's business as well. These assumptions may deviate from the Group's actual experience and, as a result, the Group cannot precisely determine the amounts which it will ultimately pay to settle these reserves or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. The discount rate assumption is affected by certain factors, such as further macroeconomic, monetary and exchange rate policies, capital market results and availability of investment channels to invest the Group's insurance funds. If the reserves originally established for future policy benefits prove inadequate, the Group must increase its reserves established for future policy benefits, which may have a material effect on its earnings and its financial condition.

The Group's risk-management and internal reporting systems, policies and procedures may leave it exposed to unidentified or unanticipated risks, which could materially and adversely affect the Group's businesses or result in losses.

The Group's policies and procedures to identify, monitor and manage risks may not be fully effective. Many of the Group's methods of managing risk and exposures are based upon the use of observed historical market behaviour or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than what the historical measures indicate. Other risk-management methods depend upon the evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible to the Group, which may not always be accurate, complete, up to date or properly evaluated. In addition, a significant portion of business information needs to be centralised from branch offices of the Group. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. The implementation of the risk-management systems also requires proficiency of the Group's employees. If the Group is unable to attract and retain a proficient risk-management team, these systems may not be implemented effectively. Failure or the ineffectiveness of these systems could materially and adversely affect the Group's business or result in losses.

In addition, if the Group offers its insurance and investment products in a broader area in the future, the Group will be required to continue to enhance its risk-management capabilities, and the importance of its risk-management policies and procedures to its results of operations and financial condition will likely increase. If the Group fails to adapt its risk-management policies and procedures to its changing business, its business, results of operations and financial condition could be materially and adversely affected.

The Group is subject to the credit risk of the Group's investment counterparties, including the issuers or borrowers whose securities or loans the Group holds.

The Group's investment portfolio includes fixed income securities, and the Group holds significant amounts of government and governmental agency bonds and corporate bonds. As a result, the Group has significant credit exposure to sovereign and corporate issuers. Investment in sovereign debt obligations involves risks that may not be present in investments in debt obligations of corporate issuers. Investing in such instruments creates exposure to the direct or indirect consequences of political, governmental, social or economic changes in the countries in which the issuers are located and the creditworthiness of the sovereign. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and the Group may have limited recourse to compel payment in the event of a default.

The Group also has risk exposure to banking and other financial institutions through its investment portfolio. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a greater negative effect on the Group's investment portfolio to the extent that its portfolio is concentrated and its related investment counterparties are similarly affected.

In addition, there is no assurance that the Group will not suffer losses due to defaults from certain counterparties related to the Group's investment activities, such as trading counterparties, counterparties under swaps and other derivative contracts and other financial intermediaries and guarantors.

Any loss due to the failure of the Group's investment counterparties to meet their obligations under the Group's investments may have a material adverse effect on the Group's financial condition and results of operations, as well as the Group's liquidity and profitability.

Defaults on the Group's debt investments may materially and adversely affect its profitability.

Approximately 74.28 per cent. of the Group's investment assets as at 31 December 2022 comprised debt securities. The issuers whose debt securities are held by the Group may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failures or other reasons. Losses due to these defaults could reduce the Group's profitability and may have a material adverse effect on the Group's financial condition and results of operations, as well as the Group's liquidity and profitability.

The Group is exposed to liquidity risk for certain of its investments.

There may not be a liquid trading market for certain of the Group's investments. The liquidity of trading markets is affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. The liquidity of these investments is also affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. Such factors may affect the Group's ability to sell certain securities without significantly depressing market prices. If the Group is required to dispose of these or other potentially illiquid assets on short notice, it could be forced to sell such assets at prices significantly lower than the prices as recorded in the Group's consolidated financial statements, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group has historically experienced fluctuating markets.

For the years ended 31 December 2020, 2021 and 2022, the Group's profit before tax was HK$2.1 billion, HK$1.4 billion and HK$3.3 billion, respectively. The decrease in the Group's profit before tax in 2021 was largely attributable to some held-to-maturity investments being reclassified to available-for-sale financial assets, resulting in a decrease in the discount rate of insurance liabilities and additional provisions being made. See also "— *Market fluctuations and general economic conditions in the geographical markets in which the Group operates inherently impact the Group's businesses and investments*" and "— *The Group may incur foreign exchange and other losses for its investments denominated in foreign currencies*".

Catastrophes could materially reduce the Group's earnings and cash flow.

The Group could in the future experience catastrophic losses that may have an adverse impact on the business, results of operations and financial condition of its insurance business. Catastrophes can be caused by various events, including terrorist attacks, earthquakes, hurricanes, floods, fires and epidemics, such as severe acute respiratory syndrome (SARS) or COVID-19, which may increase the Group's claims payments.

The Group faces the risk of litigation, regulatory investigations and other proceedings in relation to its business.

A substantial liability arising from a lawsuit judgment or a significant regulatory action against the Group or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, officers or employees could have a material adverse effect on the Group's business, financial condition and results of operations. Moreover, even if the Group ultimately prevails in the litigation, regulatory action or investigation, such proceedings could significantly harm the Group's reputation, which could materially affect the Group's prospects and future growth.

New business activities present risks to the Group's business.

As part of the Group's overall strategy, the Group may acquire certain businesses, assets and technologies, as well as develop new products and distribution channels that are complementary to the Group's business. The Group may experience difficulties integrating, or be entirely unable to integrate, any investments, acquisitions, distribution arrangements or partnerships into the Group's existing business and operations or be unable to identify successful initiatives in the future. In addition, the innovation of new products or development of new businesses may not be completed in accordance with the expected timetables or profitability. Any such difficulties could have a material and adverse effect on the Group's business, financial condition and results of operations.

An information technology system failure, cyber-attacks or other security breaches may disrupt the Group's business, damage its reputation and adversely affect the results of its operations and financial condition.

The Group uses computer systems to store, retrieve, evaluate and utilise customer and company data and information. The Group's business is highly dependent on the Group's ability to access these systems to perform necessary business functions such as developing and selling insurance products, providing customer support, policy management, filing and paying claims, managing the Group's investment portfolios and producing financial statements. Although the Group has designed and implemented a variety of security measures and backup plans to prevent or limit the effect of failure, its information technology systems may be vulnerable to disruptions as a result of natural disasters, man-made disasters, criminal activities, pandemics or other events beyond its control. In addition, the information technology systems of the Group may be subject to computer viruses or other malicious code, unauthorised access, cyber-attacks or other computer-related penetrations. The failure of the information technology systems of the Group for any reason could disrupt the Group's operations and may adversely affect its business, results of operations and financial condition. There is no assurance that it will not encounter a failure or security breach in the future.

The Group retains confidential information on its information technology systems, including customer information and proprietary business information. In addition, for business purposes, from time to time customer information is transmitted between the computer systems of the Group and those of third parties, such as third-party agents selling insurance products for the Group. Any compromise of the security or other errors of the information technology systems of the Group, or any that arises during the information transmission process that results in the disclosure of personally identifiable customer information, could damage the reputation of the Group, expose the Group to litigation, increase regulatory scrutiny and require the Group to incur significant technical, legal and other expenses.

Risks Relating to the Group's Industry

Government measures and regulations in response to financial and other crises may materially and adversely affect the Group's business.

In 2008, global financial and credit markets experienced extraordinary levels of volatility and disruption, putting downward pressure on financial and other asset prices generally and on credit availability. Governments and governmental and regulatory bodies in numerous jurisdictions have taken various measures in response to the problems faced by financial institutions, including insurance companies. These measures include increased regulatory scrutiny of, as well as restrictions on, the business and operations of certain financial institutions. For example, the FIRO was passed by the Legislative Council on 22 June 2016 and came into operation on 7 July 2017. The FIRO designates the IA as the resolution authority in relation to insurance sector entities in Hong Kong. The IA is the insurance regulator independent of the government. The FIRO provides for, among other things, the establishment of a resolution regime for, among others, authorised institutions, insurance sector entities and other financial institutions in Hong Kong which are designated as a "within scope" entity (which may, in the future, include the Group). The FIRO empowers the relevant resolution authority (which, in the case of authorised insurers, is the IA) to, among other things, prescribe loss-absorbing capacity requirements and make rules for the stabilisation, resolution and continued operation through resolution of a within-scope entity. As the aforementioned laws and regulations as well as the regulatory entity is relatively new and still evolving, the implementation and enforcement of these policies, laws and regulations involve uncertainties, and these measures, and related laws, rules and regulations may also change from time to time. Therefore, there is no assurance that future legislative or regulatory changes would not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group operates in a highly competitive industry.

The Group faces significant competition in this industry. The Group's ability to compete is based on a number of factors, including premiums charged and other terms and conditions of coverage, product features, investment performance, services provided, distribution capabilities, scale, experience, commission structure, brand strength and name recognition and actual or perceived financial strength. The Group's information technology strength is also an essential factor affecting its competitiveness in this industry. From time to time new regulations are passed that allow other competitors, including insurance companies, mutual fund companies, banks and investment management firms, to enter the geographical markets in which the Group operates. To the extent regulatory changes lead to an increase in the number of players in these markets, competition may increase. The effects of competition could have a material adverse effect on the Group's business, results of operations and financial condition.

Compliance with solvency and capital requirements may force the Group to raise additional capital, change the Group's business strategy or reduce its growth.

Insurance companies are generally required by applicable law to maintain their solvency capital at a level in excess of statutory minimum standards. The Group's solvency is affected primarily by the solvency margins the Group is required to maintain, which are in turn affected by the volume and type of new insurance policies the Group sells, the composition of the Group's in-force insurance policies and investments and by regulations on the determination of statutory reserves. The Group's solvency is also affected by a number of other factors, including the profit margin of the Group's products, returns on its assets and investments, interest rates, underwriting and acquisition costs and policyholder and shareholder dividends.

In order to comply with applicable solvency and capital requirements, or future changes to these requirements, the Group may need to transfer additional capital from a particular geographical market to another geographical market or raise or inject additional capital to meet the Group's solvency and capital requirements, which may impact the profit return of the Group's shareholders. The Group may also need to change the Group's business strategy, including the types of products it sells and how the Group manages its capital. Furthermore, compliance with solvency and capital requirements may require the Group to slow the growth of its business. In addition, failure in making such adjustments to comply with solvency requirements may affect the Group's reputation or financial strength, which could in turn have a material adverse effect on the Group's business, results of operations and financial condition.

There is no assurance that reinsurance arrangements can always be utilised successfully.

An insurance company's ability to obtain external reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, many of which are beyond its control. In particular, certain risks that the Group is subject to, such as epidemics, are difficult to reinsure. If the Group is unable to renew any expiring external reinsurance coverage or to obtain acceptable new external reinsurance coverage, its net risk exposure could increase or, if the Group is unwilling to bear an increase in net risk exposure, the amount of risk the Group is able to underwrite and the breadth of its product offerings could decrease. To the extent that the Group is unable to utilise external reinsurance successfully, its business, financial condition and results of operations may be materially and adversely affected.

The Group is also exposed to credit risk with respect to reinsurers in all lines of its insurance business. In particular, since reinsurance does not discharge the Group's primary liability to its policyholders, a default by one or more of the Group's reinsurers under its reinsurance arrangements would increase the financial losses arising out of a risk the Group has insured, which would reduce the Group's profitability and may have a material adverse effect on the Group's liquidity position. If the Group's reinsurers fail to pay on a timely basis, or at all, the Group's business, financial condition and results of operations may be materially and adversely affected.

Demand for insurance and investment products may change as a result of shifts in customer preferences and changes in regulation, and the Group may not respond appropriately or in time to sustain the Group's business or its market share.

The insurance and investment product markets are constantly evolving in response to shifts in the preferences of customers and changes in regulation, and the Group must respond to these changes to remain competitive, increase the Group's businesses and maintain market share. The Group also faces certain risks when introducing new products, and the Group's new products may fail to achieve market acceptance, which could have a material adverse impact on the Group's business, financial condition and results of operations.

To remain competitive and stimulate customer demand, the Group needs to continually introduce new products, services and technologies, enhance existing products and services, effectively stimulate customer demand for new and upgraded products and successfully manage the transition to these new and upgraded products. Accordingly, the Group's success depends greatly on its ability to anticipate and respond to emerging customer preferences and demands, changing regulations and industry standards, by ensuring continuing and timely development of new products, as well as enhancements to existing products and services. Any such change in customer preferences, regulations or industry standards may require the Group to re-evaluate its business model and to adopt significant changes to its strategies and business plan. The Group may not be able to ensure its competitiveness in the market as a result of a variety of factors, including failure to anticipate consumer trends and needs. Failure of or delays in understanding or anticipating market trends or delays in innovation, product development and execution may also result in a suboptimal portfolio of products and services, gaps in certain price points or an uncompetitive offering. This in turn may lead to a negative effect on the Group's market share, net sales and profitability, but may also erode its brand by disappointing customers in the carrier, enterprise and consumer market segments, and could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's financial condition and results of operations could be adversely affected if the Group is unable to successfully manage its growth.

The Group's future growth may place significant demands on the Group's managerial, operational and capital resources. The expansion of the Group's business activities exposes the Group to various challenges, including, but not limited to:

- continuing to retain or expand the Group's bancassurance networks to meet expanding distribution needs;

- continuing to reinforce the Group's competitive advantages in Hong Kong and Macau and enhance the Group's expansion internationally; and

- strengthening and expanding the Group's risk-management and information technology systems to effectively manage the risks and to enhance the Group's innovation-driven development.

There is no assurance that the Group will manage its growth successfully and, as a result, the Group's financial condition and results of operations could be adversely affected.

Insurance companies are subject to laws and regulations which give priority to policyholders.

Laws and regulations applicable to insurance companies generally contain provisions whereby policyholders are given priority over the claims of other creditors. This protection could adversely impact the claims of creditors of insurance companies other than policyholders, including the Bondholders.

Changes in taxation on the Group's business may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's business and operations are subject to the tax laws and regulations of the countries and markets in which they are conducted, and in which the members of the Group are incorporated. Changes in tax laws, tax regulations or interpretations of these laws or regulations may have a material adverse effect on the Group's business, financial condition and results of operations. These changes could also materially reduce the sales of some of the Group's products. The Group cannot predict whether any tax laws or regulations impacting corporate taxes or insurance products will be enacted, what the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in accounting standards issued by, the HKICPA or other standard-setting bodies may adversely affect the Group's financial condition.

HKFRSs and other accounting standards are periodically revised and/or expanded. Accordingly, from time to time the Group is required to adopt new or revised accounting standards issued by the HKICPA or other standard-setting bodies. Market conditions have prompted accounting standard setters to issue new guidance which further interprets or seeks to revise accounting pronouncements related to financial instruments, structures or transactions, as well as to issue new standards to enhance disclosures. It is possible that future accounting standards the Group is required to adopt could change the current accounting treatment that the Group applies in preparing its consolidated financial information, and such changes could have a material adverse effect on its financial condition and results of operations.

Concentrated surrenders may materially and adversely affect the Group's business, financial condition and results of operations.

Under normal circumstances, it is generally possible for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency or macroeconomic events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, or the severe weakening of the Group's financial strength, may trigger massive surrenders of insurance policies. If this were to occur, the Group would have to dispose of the Group's investment assets, possibly at unfavourable prices, in order to make the significant amount of surrender payments. This could materially and adversely affect the Group's business, financial condition and results of operations.

Risks Relating to the People's Republic of China

Changes in the PRC's economic, political and social conditions, as well as government policies, could affect the Group's business.

The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy and in recent years, the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. The PRC government continues to play a significant role in regulating industrial development and exercises significant control over the PRC's economic growth through various measures including the allocation of resources, setting monetary and foreign exchange policy and providing preferential treatment to particular industries or companies.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). The global crisis in financial services and credit markets in 2008 caused a slowdown in the economic growth in many countries, including the PRC. Although the PRC's economic growth has increased compared to its level immediately after the global financial crisis, it has displayed signs of slowdown as evidenced by a decrease in the growth rate of the PRC's gross domestic product ("**GDP**") in recent years. This was caused by a combination of factors, most of which are beyond the Group's control, such as the global economic conditions, governmental policies and changes in market dynamics globally and regionally. According to the statistics released by the National

Bureau of Statistics of China (the "**NBS**"), in 2020, the PRC government reported a GDP of RMB101.36 trillion, representing year-on-year growth of 2.2 per cent. at constant prices; in 2021, the PRC Government reported a GDP of RMB114.37 trillion, representing a stable recovery with year-on-year growth of 8.1 per cent. at constant prices; and in 2022, the PRC government reported a GDP of RMB121.02 trillion, representing year-on-year growth of 3.0 per cent. at constant prices. Despite the stable recovery in 2021, the NBS has warned of the triple pressure of demand contraction, supply shocks and weakening expectations amid an increasingly complicated external environment, which may affect the PRC's economy negatively. Furthermore, the sustained tension between the United States and China over trade policies could undermine the stability of the global economy. The United States and China have recently been involved in disputes over trade barriers that have created trade tensions between the two countries. Both countries have implemented tariffs on certain imported products from the other, casting uncertainty over tariffs and barriers to entry for products on both sides. There are uncertainties as to when and whether the trade disputes will be resolved and trade barriers lifted. In addition, against the backdrop of the trade tensions between the United States and China, the U.S. Department of Defense released in recent years, lists of Chinese companies that are allegedly communist Chinese military companies for the purpose of certain executive orders that restrict U.S. persons from investing securities of such companies. All these would add to the uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond, which may have a material adverse impact to the Group's business, prospects, financial conditions and results of operations. If the PRC's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in the PRC may face a more challenging operating environment. If the PRC's economic growth slows down, or if the PRC's economy experiences a recession, the growth of development in the PRC's economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to, or the introduction of measures to control changes in, the rate or method of taxation and the imposition of additional restrictions on currency conversion.

Economic developments in the PRC have a significant effect on the Group's business, financial condition, results of operations and prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. Any significant slowdown in the PRC's economy could have a material adverse effect on the Group's business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of the Group's customers or contractual parties could become delinquent in respect of their obligations to it;

- the Group may not be able to raise additional capital on terms that are commercially favourable to the Group, or at all; or

- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and this could materially and adversely affect the Group's business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC's insurance industry and ultimately, the profitability of the Group's business. The Group's labour and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreaks of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect economic growth in the PRC, Asia and elsewhere in the world.

As such, if the PRC's economy experiences significant adverse developments or a significant downturn, the Group's business, financial condition and results of operations would be materially and adversely affected.

The PRC legal system and its laws and regulations have impact on the Group's operations.

The Company is organised under the laws of the PRC and is governed by its articles of association. The PRC legal system is based on the PRC Constitution and consists of written laws, regulations, circulars and directives. Some of the laws and regulations, and their interpretation, implementation and enforcement, are subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof, will not have an adverse impact on the Group's business or prospects. Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited.

USE OF PROCEEDS

The Issuer intends to use the proceeds of the issue of the Bonds to supplement its capital.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total liabilities (both current and non-current portions), total equity and total capitalisation of the Group as at 31 December 2022 on an (i) actual basis and (ii) adjusted to give effect to the issue of the Bonds. The summary consolidated financial information below should be read in conjunction with the Group's consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

	As at 31 December 2022			
	Actual	As adjusted	Actual	As adjusted
		(Unaudited)		
	(HK$'000)	(HK$'000)	(U.S$'000)[4]	(U.S$'000)[4]
Liabilities:				
Interest-bearing borrowings	4,537,334	4,537,334	581,598	581,598
Bonds to be issued	—	15,603,000	—	2,000,000
Total liabilities[1]	4,537,334	20,140,334	581,598	2,581,598
Total equity[2]	23,078,760	23,078,760	2,958,246	2,958,246
Total capitalisation[3]	**27,616,094**	**43,219,094**	**3,539,844**	**5,539,844**

Notes:

(1) Total liabilities equals the sum of liabilities and bonds to be issued.

(2) In June 2023, with the approval of the PRC Insurance Regulatory Authority, the share capital of the Company was increased by RMB4,078,566,000. In addition, a further increase of HK$3,500,000,000 is currently pending the approval of the PRC Insurance Regulatory Authority.

(3) Total capitalisation represents the sum of total liabilities and total equity.

(4) The translation of Hong Kong dollar amounts into U.S. dollar amounts has been made at the rate of HK$7.8015 to U.S.$1.00 as at 30 December 2022.

Save as disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 31 December 2022.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds (subject to completion and modification and excluding italicised text) which will be endorsed on each definitive Certificate evidencing the Bonds.

The issue of the U.S.$2,000,000,000 5.35 per cent. Dated Subordinated Capital Bonds due 2033 (each a "**Bond**" and together, the "**Bonds**") of China Life Insurance (Overseas) Company Limited, Hong Kong Branch (the "**Issuer**") was authorised by a resolution of the board of directors of China Life Insurance (Overseas) Company Limited (the "**Company**") dated 9 March 2023 and an approval of the shareholder of the Company dated 15 February 2023. A fiscal agency agreement dated 15 August 2023 (as amended and/or supplemented and/or restated from time to time, the "**Fiscal Agency Agreement**") has been entered into in relation to the Bonds between the Issuer, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as fiscal agent, principal paying agent, transfer agent, registrar and calculation agent and any other agents named in it. The fiscal agent, the principal paying agent, the calculation agent, the registrar, any transfer agent and any paying agent for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Principal Paying Agent**", the "**Calculation Agent**", the "**Registrar**", the "**Transfer Agents**" and the "**Paying Agents**" (which includes the Principal Paying Agent). "**Agents**" means the Fiscal Agent, the Principal Paying Agent, the Calculation Agent, the Registrar, the Transfer Agents, the other Paying Agents and any successor or other agent or agents appointed from time to time with respect to the Bonds.

The Fiscal Agency Agreement includes the form of the Bonds. Copies of the Fiscal Agency Agreement (i) are available for inspection during usual business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) at the principal office of the Fiscal Agent or (ii) may be provided by email to a Bondholder following such Bondholder's prior written request to the Fiscal Agent and provision of proof of holding and identity (in a form satisfactory to the Fiscal Agent). The holders (as defined below) of the Bonds are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them.

The Fiscal Agency Agreement contains an undertaking of the Issuer to provide to the Fiscal Agent to make available to Bondholders a copy of the Company's audited financial reports within 180 days after the end of each period of twelve months ending on the last day of the Company's financial year (being 31 December of that financial year). The Fiscal Agent shall provide such audited financial reports of the Company to Bondholders upon a prior written request from Bondholders and provision of proof of holding and identity (in a form satisfactory to the Fiscal Agent).

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Fiscal Agency Agreement.

1. FORM, DENOMINATION AND TITLE

(A) Form and Denomination

The Bonds are issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof (referred to as the "**principal amount**" of a Bond). The Bonds are represented by registered certificates ("**Certificates**") and each Certificate shall represent the entire holding of Bonds by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See "Summary of Provisions relating to the Bonds while in Global Form*".

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds passes only by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate)) and no person shall be liable for so treating the Bondholder.

In these Conditions, reference to "**Bondholders**" or "**holders**" in relation to any Bonds shall mean the persons in whose name the Bonds are registered.

2. TRANSFERS OF THE BONDS

(A) Transfers of Interests in Bonds

One or more Bonds may, subject to Condition 2(D), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available for inspection during usual business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) by the Registrar to any Bondholder upon prior written request and provision of proof of holding and identity (in a form satisfactory to the Registrar).

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(B) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(A) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured mail at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(B), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the Transfer Agent (as the case may be).

(C) Transfers Free of Charge

Transfers of Bonds and Certificates on registration or transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the Transfer Agent may require) in respect of taxes or charges.

(D) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days prior to (and including) the due date for redemption in respect of the Bonds or (ii) during the period of seven days prior to (and including) any Record Date (as defined in Condition 5(A)(ii) below).

3. STATUS AND SUBORDINATION OF THE BONDS

(A) Status of the Bonds

The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority of payment among themselves. The rights and claims of the Bondholders are subordinated in the manner described below.

(B) Subordination

Subject to the insolvency laws of Hong Kong, the PRC (as defined below) and other applicable laws, in the event of a Winding-Up (as defined below) of the Company, the rights of the Bondholders to payment of principal and interest on the Bonds, and any other obligations in respect of the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all present and future policyholders and non-subordinated creditors of the Company, and (b) the holders of all other obligations of the Company whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of any instrument or other obligation, present or future, issued, entered into, or guaranteed by the Company that ranks or is expressed to rank *pari passu* with the Bonds by operation of law or contract, which for the avoidance of doubt, excludes any Junior Obligations (as defined below) of the Company; and (iii) senior in right of payment to and of all claims of the holders of the ordinary share capital and any other class of the share capital of the Company (including without limitation any preference shares) and any instrument or other obligation, present or future, issued, entered into or guaranteed by the Company that ranks or is expressed to rank junior to the Bonds by operation of law or contract (the "**Junior Obligations**").

In the event of a Winding-Up that requires the Bondholders to provide evidence of their claim to principal or interest under the Bonds, such claims of the Bondholders will only be satisfied after all senior ranking obligations of the Company have been satisfied in whole.

For the purposes of these Conditions:

"**Winding-Up**" means, with respect to the Company, a final and effective order or resolution by a competent authority in the respective jurisdiction(s) of the Company for the bankruptcy, winding-up, liquidation, administrative receivership, or similar proceeding in respect of the Company.

(C) Set-off

Subject to applicable law, no Bondholder may exercise, claim or plead any right of set-off, counter-claim, withholding or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Bonds and each Bondholder shall, by virtue of being the Bondholder of any Bond be deemed to have waived all such rights of such set-off, counter-claim, withholding or retention against the Issuer.

In the event that any Bondholder nevertheless receives (whether by set-off or otherwise) in a proceeding for Winding-Up of the Company any payment by, or interest of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Bonds, other than in accordance with this Condition 3(C), such Bondholder shall, subject to applicable law, immediately pay an amount equal to the amount of such payment or discharge to the liquidator for the time being in the proceeding for Winding-Up of the Company for interest and, until such time as payment is made, shall hold such amount in trust for the liquidator, and each Bondholder, by virtue of becoming a holder of any Bond, shall be deemed to have so agreed and undertaken with and to the Issuer and all policyholders and other unsubordinated creditors of the Issuer for good consideration.

4. INTEREST

(i) Interest

The Bonds bear interest on their outstanding principal amount from, and including, 15 August 2023 (the "**Issue Date**") at the applicable Interest Rate, payable semi-annually in arrear on 15 February and 15 August in each year (each an "**Interest Payment Date**") in equal instalments.

Unless otherwise provided in these Conditions, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event interest shall continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all amounts due in respect of such

Bond have been paid; and (b) seven days after the date on which the full amount of moneys payable in respect of such Bond has been received by the Fiscal Agent and notice to that effect has been given to the Bondholders in accordance with Condition 11.

(ii) Interest Rate

The rate of interest (the "**Interest Rate**") applicable to the Bonds shall be:

(a) in respect of the period from, and including, the Issue Date to, but excluding, 15 August 2028 (the "**Call Date**"), 5.35 per cent. per annum; and

(b) in respect of the period from, and including, the Call Date to, but excluding, 15 August 2033 (the "**Maturity Date**"), the Reset Interest Rate.

For the purposes of these Conditions:

"**Benchmark Rate**" means the rate in per cent. per annum notified by the Calculation Agent to the Issuer and the Bondholders (in accordance with Condition 11) equal to the yield, under the heading that represents the average for the week immediately prior to the Calculation Date, appearing in the most recently published statistical release designated "H.15" (weblink: https://www.federalreserve.gov/releases/h15/) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If there is no Comparable Treasury Issue with a maturity within three months before or after the Call Date, yields for the two published maturities most closely corresponding to such Call Date will be determined and the Benchmark Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month. If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, "**Benchmark Rate**" means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date.

"**Calculation Business Day**" means any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong.

"**Calculation Date**" means the second Calculation Business Day immediately preceding the Call Date.

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by the Calculation Agent as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years.

"**Comparable Treasury Price**" means, with respect to the Calculation Date, the average of three Reference Treasury Dealer Quotations for the Calculation Date.

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected by the Issuer or its designee (and notified to the Calculation Agent) that are primary U.S. Government securities dealers.

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and the Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5.00 p.m. (New York City time).

"**Reset Interest Rate**" means a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the then-prevailing Benchmark Rate and (b) the initial spread of 1.232 per cent. per annum.

(iii) Calculation of Interest and Reset Interest Rate

The Calculation Agent will calculate the amount of interest in respect of any period by applying the applicable Interest Rate to the Calculation Amount. If interest is required to be paid in respect of a Bond on any date other than the Interest Payment Date, it shall be calculated by applying the applicable Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

(a) "**Calculation Amount**" means U.S.$1,000; and

(b) "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 with the number of days to be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each:

The Calculation Agent will, on the Calculation Date, calculate the Reset Interest Rate payable in respect of each Bond. The Calculation Agent will cause the interest and Reset Interest Rate determined by it to be notified to the Issuer and the Fiscal Agent as soon as reasonably practicable. Notice thereof shall also promptly be given by the Issuer to the Bondholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Agents and the Bondholders and no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes unless caused directly by the fraud, gross negligence or wilful default of the Calculation Agent.

(iv) Determination or Calculation by Successor Calculation Agent

If the Calculation Agent does not at any time for any reason so determine the Reset Interest Rate, the Issuer shall as soon as practicable appoint a reputable financial institution of good standing as a successor calculation agent to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the successor calculation agent shall apply the foregoing provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in the opinion of the successor calculation agent, it can do so and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

5. PAYMENTS

(A) Payments in Respect of the Bonds

(i) Payments of principal in respect of Bonds shall be made against presentation and surrender of the relevant Certificates at the specified office of a Paying Agent and in the manner provided in Condition 5(A)(ii).

(ii) Interest shall be paid to the holder shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest in respect of each Bond shall be made in U.S. dollars by wire transfer in immediately available funds to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or the Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank; and

(iii) Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a business day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

*Notwithstanding the foregoing, so long as the Global Certificate evidencing the Bonds is held on behalf of Euroclear or Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 1 January and 25 December.*

(B) Payments subject to Fiscal Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 7, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(C) Appointment of Agents

The Fiscal Agent, the Principal Paying Agent, the Registrar, the Transfer Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Principal Paying Agent, the Registrar, the Transfer Agent and the Calculation Agent appointed under the Fiscal Agency Agreement act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Principal Paying Agent, any other Paying Agent, any Registrar, any Transfer Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents or Calculation Agents, in each case in accordance with the Fiscal Agency Agreement, **provided that** the Issuer shall at all times maintain (i) a Fiscal

Agent, (ii) a Principal Paying Agent, (iii) a Registrar, (iv) a Transfer Agent, (v) one or more Calculation Agent(s), and (vi) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

(D) Non-Business Days

If any date for payment in respect of any Bond is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 5, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if presentation and/or surrender of such Bond is required) in New York City and Hong Kong and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York City and Hong Kong.

6. REDEMPTION AND PURCHASE

(A) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds on the Maturity Date at their outstanding principal amount, together with any interest accrued to (but excluding) the Maturity Date. The Bonds may not be redeemed at the option of the Issuer other than in accordance with these Conditions.

(B) Redemption for Tax Reasons

Subject to Condition 6(G), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), if (a) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in Condition 7 below) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the People's Republic of China (which for these purposes only, exclude Hong Kong, Macau and Taiwan) (the "**PRC**") or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 August 2023 and (b) such obligation will apply on the occasion of the next payment due in respect of the Bonds and cannot be avoided by the Issuer taking reasonable measures available to it; **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Bonds then due.

Prior to giving any notice of redemption pursuant to this Condition 6(B), the Issuer shall deliver to the Fiscal Agent a certificate signed by an authorised signatory of the Issuer stating that (i) the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) that the consent of the Insurance Regulator as referred to in Condition 6(G) has been obtained, to the extent such consent is required under the Insurance Ordinance (Cap. 41) of

Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time.

Bonds redeemed pursuant to this Condition 6(B) will be redeemed at their outstanding principal amount together with any interest accrued to (but excluding) the date of redemption.

(C) Redemption at the Option of the Issuer

Subject to Condition 6(G), the Issuer may, having given not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notices shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), redeem at its option all but not some only of the Bonds then outstanding on the Call Date, at their outstanding principal amount together with any interest accrued to (but excluding) the date of redemption.

For the avoidance of doubt, the Issuer does not provide any undertaking that it will redeem the Bonds at any time.

(D) Redemption upon a Regulatory Event

Subject to Condition 6(G), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), at their outstanding principal amount (together with any interest accrued to (but excluding) the date of redemption), if a Regulatory Event occurs after the Issue Date.

Prior to giving any notice of redemption pursuant to this Condition 6(D), the Issuer shall deliver to the Fiscal Agent a certificate signed by an authorised signatory of the Issuer stating that (i) the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) that the consent of the Insurance Regulator as referred to in Condition 6(G) has been obtained, to the extent such consent is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time.

Upon expiry of any such notice as is referred to in this Condition 6(D), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 6(D); **provided that** no notice of redemption with respect to a Regulatory Event shall be given earlier than 90 days prior to the earliest date on which the relevant change to law or regulation or interpretation of the regulatory capital requirements is due to take effect.

The Agents are not obliged to monitor, make inquiries or do anything to ascertain whether any Regulatory Event has occurred and will not be responsible to Bondholders or any other person for any loss arising from any failure by it to do so, and, unless and until an Agent otherwise has notice in writing to the contrary, that Agent may assume (i) that no Regulatory Event has occurred and (ii) that the Issuer is performing all of its obligations under these Conditions.

(E) Redemption for Minimum Outstanding Amount

Subject to Condition 6(G), the Bonds then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption, and with a copy provided to the Fiscal Agent), at their outstanding principal amount (together with any interest accrued to (but excluding) the date of redemption), if, immediately before giving such notice, the aggregate principal amount of the Bonds outstanding is less than 20 per cent. of the aggregate principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 12 and consolidated and forming a single series with the Bonds). Upon expiry of any such notice as is referred to in this Condition 6(E), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 6(E).

(F) Purchase and Cancellation

Subject to Condition 6(G), the Company and any of its Subsidiaries may, at any time, purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 9.

All Certificates representing Bonds purchased by or on behalf of the Company and any of its Subsidiaries shall be surrendered for cancellation to the Transfer Agent or Registrar and, upon surrender thereof, all such Bonds shall be cancelled as soon as reasonably practicable. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

(G) Conditions for Redemption and Purchase in Respect of the Bonds

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Bonds and neither the Issuer nor any of its Subsidiaries shall purchase any of the Bonds unless the prior Regulatory Approval thereto shall have been obtained, to the extent such Regulatory Approval is required under the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto, each as amended or supplemented from time to time, as applicable to the Issuer.

The Fiscal Agent shall be entitled to accept and rely upon such certificate and opinion delivered by the Issuer pursuant to Condition 6(B) or Condition 6(D) as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the conditions precedent set out in Condition 6(B) or Condition 6(D), respectively, in which event they shall be conclusive and binding on the Bondholders. The Agents shall not be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption and none of them shall be liable to the Bondholders, the Issuer or any other person for not doing so.

(H) Definitions

For the purposes of these Conditions:

"**Insurance Regulator**" means the Hong Kong Insurance Authority or any successor or replacement authority or body with primary prudential supervision of the Issuer.

"**Regulatory Approval**" means such approval, consent or non-objection from, or notification required to, the Insurance Regulator, or such waiver required in relation to the Insurance Ordinance (Cap. 41) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance or rules issued by the Insurance Regulator in relation thereto from the Insurance Regulator.

"**Regulatory Event**" is deemed to have occurred if, as a result of any change of law, regulation or guidelines or interpretation thereof, which change becomes effective (or in the case of a change in the application or official interpretation, occurs or is being announced) after the Issue Date, the Bonds are or would no longer be recognised by the Insurance Regulator as regulatory capital (in whole or in part) (including, but not limited to, classification as Tier 2 Capital Securities under the Relevant Rules then applicable) of the Issuer (other than as a result of any discounting or amortisation requirements as to the eligibility of the Bonds for such inclusion pursuant to the relevant law and regulation then in force, or non-qualification solely by virtue of the Issuer already having on issue securities with an aggregate principal amount up to or in excess of the limit of such type of securities as permitted from time to time by the Insurance Regulator).

"**Relevant Rules**" means the rules under risk-based capital framework adopted, or to be adopted from time to time, by the Insurance Regulator providing for non-equity instruments to be included within the regulatory capital calculations for insurance companies or controlling companies which rules are, in each case, applicable to the Issuer, or any successor or equivalent rules or legislation.

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Company.

"**Tier 2 Capital Securities**" means any security or guarantee issued by the Issuer that has been recognised by the Insurance Regulator as Tier 2 capital (or its equivalent) of the Issuer under Relevant Rules (if applicable).

7. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within Hong Kong, the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on 8 August 2023 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within Hong Kong or the PRC (but only to the extent in excess of the Applicable Rate), the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Bond:

(i) **Other connection**: to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of such Bonds by reason of his having some connection with Hong Kong other than the mere holding of the Bonds; or

(ii) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further presentation of the Bond (or relative Certificate) being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation.

References in these Conditions to "**principal**" and/or "**interest**" shall be deemed to include any Additional Tax Amounts that may be payable under this Condition 7.

The Agents shall not in any event be responsible for paying any tax, duty, charges, assessments, governmental charges, withholding or other payment referred to in this Condition 7 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer or the Bondholders or any other person to pay such tax, duty, charges, assessments, governmental charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charges, assessments, governmental charges, withholding or other payment imposed by or in any jurisdiction.

8. ENFORCEMENT

(A) Winding-Up Proceedings

If the Issuer does not make payment of any amount of principal or interest in respect of the Bonds on the due date for payment thereof and such failure continues for a period of ten days (each, an "**Enforcement Event**") any Bondholder may institute proceedings for a Winding-Up of the Company in Hong Kong.

In the event of a Winding-Up of the Company (whether or not an Enforcement Event has occurred and is continuing) the Bonds shall become immediately due and payable at their outstanding principal amount together with any interest accrued to (but excluding) the date of actual payment without further action or formality.

(B) Enforcement

(i) Without prejudice to Condition 8(A), any Bondholder may without further notice, institute such proceedings against the Issuer if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Bonds binding on it under these Conditions (other than any obligation of the Issuer for the payment of any principal or interest in respect of the Bonds), **provided that** the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Bonds sooner than the same would otherwise have been payable by it.

(ii) Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 8(A) and Condition 8(B)(i) above or submitting a claim in the Winding-Up of the Company will be available to the Bondholders.

9. MEETINGS OF BONDHOLDERS AND MODIFICATIONS

(A) Meetings of Bondholders

The Fiscal Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Bonds or any date for payment of interest on the Bonds, (ii) to reduce or cancel the principal amount of the Bonds, (iii) to reduce the rate or rates of interest in respect of the Bonds or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest in respect of the Bonds, (iv) to vary any method of, or basis for, calculating the relevant redemption amount, (v) to vary the currency or currencies of payment or denomination of the Bonds, (vi) to amend the subordination or set-off of the Bonds or (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding; and (ii) consent given by way of electronic consents through the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the

Bondholders passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(B) Modifications

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders. Any modification to these Conditions shall only become effective together with the consent of the Issuer.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and will become void unless made within a period of 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

11. NOTICES

Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Bonds are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that exchange or a relevant authority so require, published in a daily newspaper having general circulation in the place or places required by those rules. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the holders of the Bonds may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

12. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further Bonds either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 12 and forming a single series with the Bonds.

13. REPLACEMENT OF CERTIFICATES

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent and of the Registrar, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

15. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(A) Governing Law

The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that the subordination provisions set out in Condition 3(B) shall be governed by, and construed in accordance with, the laws of the PRC.

(B) Submission to Jurisdiction

(i) The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy that may arise out of or in connection with any Bonds, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**") and accordingly any legal action or proceedings arising out of or in connection with any Bonds (a "**Proceeding**") may be brought in such courts.

(ii) Each of the Issuer, the Agents and any Bondholder in relation to any Dispute irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

(C) Waiver of Immunity

The Issuer further irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate in respect of the Bonds contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions. Defined terms used in this section shall have the meanings given to them in the Terms and Conditions.

Upon issue, the Bonds will be represented by the Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Under the Global Certificate, the Issuer, for value received, will promise to pay such principal and interest on the Bonds to the holder of the Bonds on such date as the same may become payable in accordance with the Terms and Conditions. Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to receive definitive Certificates in respect of their individual holdings of Bonds if (a) either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (b) if principal in respect of any Bonds is not paid when due and payable. Thereupon the holder may give notice to the Fiscal Agent of its intention to require the exchange of a specified principal amount of the Global Certificate (which may be equal to or less than the outstanding principal amount of Bonds represented thereby) for definitive certificates on or after the Exchange Date specified in the notice where "**Exchange Date**" means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in Hong Kong and, in the case of exchange above, Hong Kong or, if relevant, the city in which the Alternative Clearing System, is located. In such circumstances, the Issuer will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds.

If any amount in respect of any Bonds is not paid when due and payable (but subject as provided below), the holder of the Global Certificate may from time to time elect those direct rights under the provisions of Schedule B in the Global Certificate ("**Direct Rights**") shall come into effect. Such election shall be made by notice to the Fiscal Agent and presentation of the Global Certificate to or to the order of the Fiscal Agent for reduction of the principal amount of Bonds represented by the Global Certificate by such figure as shall be specified in the notice) by endorsement in Schedule A of the Global Certificate and the corresponding endorsement in Schedule B of the Global Certificate of such principal amount of Bonds formerly represented hereby as the principal amount of Bonds in respect of which Direct Rights have arisen under Schedule B of the Global Certificate. Upon such notice being given the appropriate Direct Rights shall take effect.

No such election may however be made on or before an Exchange Date fixed in accordance with the Global Certificate with respect to the Bonds to which that exchange date relates unless the holder elects in such notice that the exchange in question shall no longer take place.

Notices: For so long as such Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any other Alternative Clearing System, notices to holders of such Bonds may be given by delivery to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication as required by the Conditions. Any such notice shall be deemed validly given to the Bondholders on the day on which such notice is delivered to Euroclear or Clearstream or any other Alternative Clearing System as aforesaid.

Transfers: Transfers of the interests in the Bonds evidenced by the Global Certificate will be effected through the records of Euroclear or Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream (or any Alternative Clearing System) and their respective participants.

Meetings: For the purposes of any meeting of Bondholders, the registered holder of the Global Certificate (and any proxy or representative appointed by it) will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Bondholders and in any such meeting as having one vote in respect of each U.S.$1,000 in principal amount of Bonds evidenced by such Global Certificate.

Cancellation: Cancellation of any Bond represented by the Global Certificate which is required by the Terms and Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Fiscal Agent for annotation (for information only) in the Global Certificate.

DESCRIPTION OF THE ISSUER

The Issuer was established as the Hong Kong Branch of the Company in 1984. The Issuer has been conducting insurance businesses in Hong Kong for over 30 years. The Issuer is authorised by the IA to engage in underwriting long-term insurance policies which primarily fall into the following classes of business:

- Class A Life and annuity
- Class C Linked long-term
- Class D Group health
- Class G Retirement scheme management

As at 31 December 2020, 2021 and 2022, the total assets of the Issuer recorded HK$382.0 billion, HK$370.5 billion and HK$351.3 billion, respectively, and the Issuer's insurance premium revenue for the years ended 31 December 2020, 2021 and 2022 reached HK$56.8 billion, HK$47.0 billion and HK$39.5 billion, respectively.

The following tables set forth the summary financial information of the Issuer as at and for the periods indicated.

STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December		
	2020[1]	**2021**	**2022**
		(HK$'000)	
Insurance premium revenue	56,830,440	46,987,068	39,518,927
Insurance premium ceded to reinsurers	(12,267,724)	(5,133,512)	(6,206,261)
Net insurance premium revenue	44,562,716	41,853,556	33,312,666
Net investment income	13,994,596	17,529,771	8,055,605
Other income	1,096	108	34,548
	58,558,408	59,383,435	41,402,819
Insurance claims and loss adjustment expenses	(44,055,031)	(75,794,033)	(60,131,927)
Insurance claims and loss adjustment expenses recovered from reinsurers	913,843	706,741	133,595
(Increase)/decrease in insurance contract liabilities	(20,446,269)	18,960,477	23,082,214
Increase in reinsurance assets	11,235,208	4,608,218	5,622,977
Net insurance benefits and claims	(52,352,249)	(51,518,597)	(31,293,141)
Expenses for the acquisition of insurance and investment contracts	(2,401,598)	(4,226,310)	(3,070,515)
Commissions on reinsurance ceded	524,405	155,437	123,168
Other operating expenses	(948,158)	(1,242,031)	(1,277,179)
Net expenses	(55,177,600)	(56,831,501)	(35,517,667)
Results of operating activities	3,380,808	2,551,934	5,885,152
Finance costs	(2,027,999)	(1,908,318)	(1,223,342)
Share of profits/(losses) of associates and joint venture	(447,318)	770,283	(188,112)
PROFIT BEFORE TAX	905,491	1,413,899	4,473,698
Income tax expense	(105,730)	(32,270)	(283,115)
PROFIT FOR THE YEAR	799,761	1,381,629	4,190,583

Note:

(1) Certain financial figures as at and for the year ended 31 December 2020 were restated in the Issuer's consolidated financial statements as at and for the year ended 31 December 2021 as a result of certain errors identified in Issuer's comparative financial information previously presented.

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2020[1]	2021	2022
		(HK$'000)	
PROFIT FOR THE YEAR	799,761	1,381,629	4,190,583
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods:			
Changes in fair value	3,781,331	454,885	(11,124,355)
Reclassification adjustments for (gains)/losses included in the statement of profit or loss			
— Net gains on disposal	(643,383)	(1,187,487)	1,495,718
— Impairment losses	1,920,703	473,181	1,808,987
Income tax effect	(906,831)	114,198	1,205,477
	4,151,820	(145,223)	(6,614,173)
Share of changes in equities of associates and joint venture	(1,762)	194,552	2,202
Currency translation difference	(29,814)	3,820	(48,759)
Net other comprehensive income/(loss) that may be reclassified to the statement of profit or loss in subsequent periods	4,120,244	53,149	(6,660,730)
Other comprehensive income/(loss) not to be reclassified to the statement of profit or loss in subsequent periods:			
Gain on revaluation of property	1,167	2,850	(231)
Income tax effect	(193)	(470)	38
Net other comprehensive income/(loss) that will not be reclassified to the statement of profit or loss in subsequent periods	974	2,380	(193)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	4,121,218	55,529	(6,660,923)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	4,920,979	1,437,158	(2,470,340)

Note:

(1) Certain financial figures as at and for the year ended 31 December 2020 were restated in the Issuer's consolidated financial statements as at and for the year ended 31 December 2021 as a result of certain errors identified in Issuer's comparative financial information previously presented.

STATEMENT OF FINANCIAL POSITION

	For the year ended 31 December		
	2020[(1)]	2021	2022
		(HK$'000)	
ASSETS			
Property and equipment	132,093	105,611	92,762
Intangible assets	26,683	30,003	35,315
Investment properties	327,850	338,960	315,240
Investments in subsidiaries	39,585,515	38,970,903	40,584,706
Investment in associates	3,263,953	3,808,864	1,973,841
Investment in a joint venture	491,615	525,842	463,278
Deferred tax assets	—	—	212,524
Reinsurance assets	13,602,541	18,210,759	23,799,518
Debt securities			
— Held-to-maturity	201,104,616	172,797,576	160,659,052
— Available-for-sale	20,720,144	34,855,864	43,395,414
— At fair value through profit or loss	1,224,157	833,218	801,084
Unit trusts			
— Available-for-sale	36,532,745	38,239,468	21,070,666
— At fair value through profit or loss	9,845,210	9,734,838	8,231,109
Equity securities			
— Available-for-sale	8,749,691	4,984,401	4,553,784
— At fair value through profit or loss	7,044,782	4,795,919	1,452,390
Derivatives			
— At fair value through profit or loss	196,830	219,660	178,392
Loans and receivables	14,474,433	14,330,268	14,532,644
Other debtors, prepayments and deposits, unsecured	1,374,953	3,127,694	4,025,803
Cash and bank deposits	23,301,977	—	—
Term deposits	—	7,865,819	6,129,089
Cash and cash equivalents	—	16,766,349	18,771,685
Total assets	381,999,788	370,542,016	351,278,296
LIABILITIES			
Insurance contracts and investment contracts with DPF liabilities	260,028,682	241,068,206	217,985,992
Interest-bearing borrowings	1,931,573	1,932,550	—
Lease liabilities	28,039	13,021	15,811
Amounts due to reinsurers	11,024,442	13,225,642	15,244,686
Policyholders' funds on deposit	48,440,653	50,807,661	40,054,914
Other insurance liabilities	36,476,430	40,340,487	45,370,612
Other payables and accrued charges	4,191,392	1,948,307	2,789,424
Deferred tax liabilities	1,107,280	995,394	—
Securities sold under repurchase agreements	—	—	12,826,479
Current tax liabilities	2,089	4,382	254,352
Total liabilities	363,230,580	350,335,650	334,542,270
NET ASSETS	18,769,208	20,206,366	16,736,026
EQUITY			
Head office current account	10,508,499	10,508,499	9,508,499
Investment revaluation reserve	5,363,841	5,413,170	(1,198,801)
Properties revaluation reserve	24,201	26,581	26,388
Translation reserve	(253,440)	(249,620)	(298,379)
Retained profits	3,126,107	4,507,736	8,698,319
Total equity	18,769,208	20,206,366	16,736,026

Note:

(1) Certain financial figures as at and for the year ended 31 December 2020 were restated in the Issuer's consolidated financial statements as at and for the year ended 31 December 2021 as a result of certain errors identified in Issuer's comparative financial information previously presented.

DESCRIPTION OF THE GROUP

Overview

The Company is a wholly owned subsidiary of the Parent Company, namely China Life Insurance (Group) Company, which is a leading financial insurance corporation in the PRC. The Group's key business sectors cover insurance, investment and retirement benefit contributions (including MPF schemes and ORSO schemes).

The Group has a rich heritage with its roots tracing back to 1933, serving customers for 90 years. With strong support from the state-owned Parent Company, the Group has established strong foothold in Hong Kong and Macau and is striving to develop in Southeast Asian markets through conducting insurance business as well as businesses relating to retirement benefit contributions.

The Company established branches in Hong Kong and Macau in 1984 and 1989, respectively, and has become a leading life insurance company in Hong Kong and Macau. In 2015, the Company established a Singapore subsidiary, namely China Life Singapore to conduct insurance business in Singapore. In 2018, the Company further established an Indonesia subsidiary through merger and acquisition, namely China Life Indonesia, to conduct insurance business in Indonesia. The Group strives to provide customers with high-quality insurance products and professional services.

The Company believes that the Group has a healthy and stable financial situation and is well-received and trusted by clients due to, among others, its reasonably-priced premiums, all-rounded protection, credible reputation and stable operation. As at 31 December 2020, 2021 and 2022, the Group's total assets amounted to HK$477.8 billion, HK$469.8 billion and HK$463.1 billion, respectively, while the Group's net assets amounted to HK$26.2 billion, HK$27.3 billion and HK$23.1 billion, respectively. For the years ended 31 December 2020, 2021 and 2022, the Group's insurance premium revenue was HK$68.9 billion, HK$59.7 billion and HK$49.2 billion, respectively. The Group's total first year premium was HK$17.9 billion, HK$18.5 billion and HK$6.9 billion, respectively, for the years ended 31 December 2020, 2021 and 2022, of which HK$7.0 billion, HK$8.9 billion and HK$4.6 billion, respectively, was for insurance products with terms exceeding five years. For the years ended 31 December 2020, 2021 and 2022, the Group's total net profit was HK$1.9 billion, HK$1.4 billion and HK$3.2 billion, respectively. As at 31 December 2020, 2021 and 2022, the solvency ratio of the Group was 257 per cent., 282 per cent. and 244 per cent., respectively.

The Group invests its premiums and other income generated from insurance businesses into, among other investments, fixed income securities, equity securities, cash and cash equivalents, funds and other financial assets. For the three years ended 31 December 2020, 2021 and 2022, the Group's net investment income was HK$18.5 billion, HK$21.3 billion and HK$8.3 billion, respectively.

The Company had 585,625 individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies in force as at 31 December 2022. As at 31 December 2022, China Life Singapore had 6,227 individual life insurance policies, annuity contracts, and health and accident insurance policies in force while China Life Indonesia had 546 individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies in force.

Competitive Strengths

Leading position in Hong Kong and Macau with strong collective strength from its shareholder.

The Group has a rich heritage with its roots tracing back to 1933, serving customers for 90 years. Led by the Parent Group, the Group has become the largest Chinese insurance company and institutional investor in Hong Kong and Macau, with investments across nearly 50 countries and regions worldwide.

In Hong Kong, the Company's Hong Kong branch, namely the Issuer, has ranked among the top five players in terms of insurance premium revenue since 2012. The Issuer has ranked first in the market in terms of new business annual premium equivalent for three consecutive years from 2019 to 2021, according to the statistics published by the IA.

In Macau, the insurance premium revenue of the Macau branch of the Company has ranked among the top two players in the market since 2012, and it ranked first in the market for eight consecutive years from 2014 to 2021 in terms of insurance premium revenue, according to the statistics published by the AMCM.

In recent years, the Company has actively engaged in business transformation and proactively adjusted its business strategy, mainly to reduce the scale of short-term savings products. With its focus shifting from sales expansion to value creation, the Company's proportion of high-value businesses (namely, long-term participating new policy premiums with a Guaranteed Break Even Interest (GBEI) (being the internal rate of return achieved on the guaranteed benefits from an investment, and in the context of life participating products, being generally the return required to cover the guaranteed cost incurred by a life insurer) of less than two per cent. or new policy premiums with a value of new business margin of not less than 20 per cent., excluding scaled-based business) has continued to increase, accounting for over 60 per cent. of the first year premium in 2022.

The Group continues to promote the development of its major businesses, including life insurance, health insurance and retirement benefit plans (including MPF schemes and ORSO schemes), and continues to promote its investment management business and broaden its income channels simultaneously. In particular, despite volatile market conditions and a severe operating environment, the Group was able to continue to improve its product mix and operating efficiency. In 2022, the Group's net profit achieved year-on-year growth of 131.7 per cent., and the growth rate of the value of its new businesses remained stable in 2022 as compared to previous years.

The Company is a wholly owned subsidiary of the Parent Company, which is China's largest state-owned financial insurance corporation. For 20 consecutive years, the Parent Company has joined the ranks of Fortune Global 500 companies, and ranked No. 40 in 2022, with a brand value exceeding RMB452.5 billion. The Parent Group has grown from a single life insurance company to an insurance group covering multiple fields, such as the reinsurance, policy renewal and payment in respect of life insurance, health insurance and accident insurance, the holding of and investment in domestic and overseas insurance companies, as well as other businesses approved by the State Council and PRC insurance regulatory authorities. Leveraging on the abundant resources the Group has, especially those from the Parent Group, which has strong influence in the PRC insurance industry, the Group attains unique competitive advantages including capital, reputation and network compared to its peers.

Full-fledged insurance products and diversified distribution channels to optimise business structure.

In 2022, against the backdrop of volatile and severe market conditions, the Group has remained steadfast in its business transitions, continuously optimising its business structure and highlighting business sustainability. In recent years, the Company has been committed to developing longer-term products with low-guaranteed dividend, while reducing the scale of short-term savings products. From 2020 to 2022, the premium term of new business has increased significantly, with the contribution of first year premium for insurance products with terms of five years or more increasing from 38.9 per cent. in 2020, to 48.1 per cent. in 2021 and further to 65.9 per cent. in 2022. Product structure also improved during the same period, with the contribution of first year premium derived from long-term products with low-guaranteed dividend increasing from 4.6 per cent. in 2020, to 26.2 per cent. in 2021 and further to 60.6 per cent. in 2022.

The Group offers a spectrum of insurance products, including whole life and term life insurance, endowment, annuities, universal life products, group health insurance, linked long-term products as well as retirement benefit contributions products.

For the year ended 31 December 2022, the Group had revenue from insurance products totalling HK$49.2 billion. Specifically, the revenue generated from whole life insurance products represented 89.9 per cent. of the Group's total revenue, the revenue generated from retirement benefit contributions products represented 9.9 per cent. of the Group's total revenue and the revenue generated from group health insurance products represented 0.2 per cent. of the Group's total revenue.

The Group has shown outstanding innovation in its insurance products. It actively promotes product innovation, focuses on improving savings, medical and critical illness insurance products and actively promotes the development of Renminbi-denominated insurance products. The Group carries out service innovation and has realised the cross-border premiums collection and other new premium collection models such as cash payment for premiums through 7-Eleven, which enables customers to pay premiums more conveniently and has effectively improved customer satisfaction. The Group has accelerated technology innovation, including the layout of its mobile sales support platform and implementation of "online + offline" operation innovation.

In recent years, the Group is also diversifying its distribution channel as it adopted the channel strategy that utilises bancassurance channel as its main business contributor, agencies as a strategic channel and intermediaries as a new driving force. The contribution of first year premium from the bancassurance channel gradually decreased from 86.0 per cent. in 2020 to 64.8 per cent. in 2022. During the same period, the contribution from its non-bancassurance channels, i.e., the intermediaries and agents channels, increased from 14.0 per cent. to 35.2 per cent. The Group will continue to increase its business value and reduce its liability costs by leveraging its strong bancassurance distribution channel and developing non-bancassurance channels.

Active promotion of investment management together with stable total assets.

The Group has steadily improved and optimised its investment management. The Group pursues stable returns, adheres to sound growing style and focuses on strategic business layout, whilst focusing on investment safety and the long-term stability of investment returns. The Group continuously optimises its investment asset structure and lowers investment risk by further reducing the allocation of equity fund assets, while increasing investments in fixed income assets. In terms of the Group's fixed income investments, the percentage of investment grade assets was 88.9 per cent., 87.7 per cent. and 89.4 per cent as at 31 December 2020, 2021 and 2022, respectively, and the Group currently has no plans to increase its investment in non-investment grade assets in the near future. As at 31 December 2022, the Group had an investment portfolio in the total amount of HK$419.9 billion, which consisted of 10.2 per cent. in cash and bank deposits, 75.3 per cent. in fixed income investments, 2.3 per cent. in equity investments and 12.2 per cent. in funds and other investments.

The Group has maintained a stable level of total assets and net assets in recent years. As at 31 December 2020, 2021 and 2022, the Group's total assets amounted to HK$477.8 billion, HK$469.8 billion and HK$463.1 billion, respectively, while the Group's net assets amounted to HK$26.2 billion, HK$27.3 billion and HK$23.1 billion, respectively.

Cautious expansion strategy to advance high-quality development.

In line with the Parent Group's internationalisation plan, the Group has been exploring overseas insurance markets. The Group mainly focuses on the Chinese market by leveraging the brand image that "China Life" has successfully established in the PRC. The Group implements the Parent Group's strategy of internationalisation whilst responding to the PRC's "Belt and Road" initiative. It has cooperated and intends to continue to cooperate with those countries that have stable political environments and good relations with the PRC in order to develop local insurance markets, continuously implementing its internationalisation plan. By leveraging its competitiveness as a Chinese brand, it aims to expand into Chinese markets around the world.

In recent years, while consolidating and enhancing its competitive advantages achieved in the Hong Kong and Macau regions, the Group has also made strategic investments overseas and continues to transform itself into an international financial and insurance enterprise. Specifically, the Group has also focused on expansion into the Southeast Asian markets. The Group established its Singaporean subsidiary in 2015 and acquired an insurance company in Indonesia in 2018. In 2022, the Group's insurance premium revenue was distributed across Hong Kong (80.4 per cent.), Macau (18.4 per cent.) as well as Singapore and Indonesia (together, 1.2 per cent.). Specifically, in 2022 the Group's first year premium was HK$6.9 billion, which was distributed across Hong Kong (85.2 per cent.), Macau (13.3 per cent.) as well as Singapore and Indonesia (together,1.6 per cent.).

Established in 2015, China Life Singapore is a licensed life insurer which is regulated by the MAS and was assigned with an insurance financial strength rating (IFSR) of A3 by Moody's in November 2022. In 2022, China Life Singapore ranked among the top 20 in the local market in terms of annual premium equivalent. As the first Chinese insurance company to operate life insurance business in Singapore, China Life Singapore is also the only Chinese life insurance company that has established an exclusive agent distribution channel in the country. Although China Life Singapore's business scale is relatively small compared to local leading insurance companies, it positions itself as a "boutique company", focusing on value and pursuing high-quality development. With the advantage of the China Life brand, China Life Singapore focuses on serving local, Southeast Asian and Chinese customers in the Greater China region, and supporting the "Belt and Road" initiative. China Life Singapore implements a diversified and coordinated development strategy with exclusive agency as the main distribution channel, supported by bancassurance and other channels. It aims to create core competitiveness and gradually explore a business path that distinguishes itself from local life insurance companies. For the years ended 31 December 2020, 2021 and 2022, the insurance premium revenue of China Life Singapore was HK$521 million, HK$531 million and HK$586 million, respectively.

Established in 2018, China Life Indonesia is a licensed life insurer regulated by OJK in Indonesia. China Life Indonesia has already entered into cooperation agreements with all local Chinese banks, which lays a solid foundation for its future business development. For the years ended 31 December 2020, 2021 and 2022, the insurance premium revenue of China Life Indonesia was HK$22 million, HK$24 million and HK$19 million, respectively.

The Group intends to continue to leverage its ability to expand overseas through mergers and acquisitions in order to create value for the Group. As the overseas platform of the Parent Group, the Group strives to fulfil its mission to create an advanced global platform, and to build a globally recognised brand image. Apart from geographical expansion, the Group might consider to expand its business into non-life insurance business areas.

Rigorous and secure risk control and stable and sufficient solvency.

By drawing on the risk-based capital standards of the PRC Insurance Regulatory Authority and the insurance industry in Hong Kong, the Group continuously optimises its risk management system, takes effective risk monitoring measures, and enhances its risk management capabilities. The Group's risk-management framework is guided by the "Three Lines of Defence" model, with the first line of defence provided by business departments responsible for identifying, assessing, coping with, monitoring and reporting risks within their respective business scope, the second line of defence provided by the risk management and legal compliance departments leading the operation of risk-management, making up the system, strategy, preference and limit of all types of risks, and selectively examining the implementation and effectiveness of risk-management and providing advices and the third line of defence provided by the internal audit department which examines and assesses the status and effect of the operation of the risk-management system on at least an annual basis and monitors the implementation of the risk management policies.

The Group maintains a stable and sufficient solvency in accordance with the regulatory requirements in Hong Kong and other jurisdictions where the Group operates, and aims to continue to maintain solvency at a high level to support fully the Group's future capital demands for business development and to cover the potential risks that the Group may face in asset investment and market transformation. Despite the volatility of capital markets and investment asset prices, the Group has maintained a relatively high level of capital adequacy ratio. The solvency ratio of the Group increased from 257 per cent. in 2020, to 282 per cent. in 2021, then to 244 per cent. in 2022.

Excellent credit ratings, widely recognised by the market.

Moody's has assigned an insurer financial strength rating (IFSR) of "A1" and S&P has assigned an issuer credit rating and a financial strength rating of "A" to the Company. The Group believes that it has sufficient liquidity and long-term congruency in terms of its assets and liabilities. Due to the Group's adequate levels of cash and bonds, this increases the ratio of its current assets to current liabilities and narrows the duration in terms of its assets and liabilities. In addition. the Group has and plans to continue to comply with regulatory requirements regarding capital adequacy ratio. As at 31 December 2022, the Group's solvency level was 244 per cent., which is in compliance with the regulatory requirement in Hong Kong and was above the industry average.

Development in line with national strategy, continuous support from the Parent Group.

The Group's development is in line with national strategy, serving the national strategy in the Greater Bay Area, and the Group expects to receive continuous support from the Parent Group. The Company believes that the Parent Group's strong relationship with the PRC government can further benefit the Group's development. Based on its importance within the Parent Group's strategic layout, the Company benefits from the Parent Group's financial support, marketing effect and well-established brand image.

The Company has and strives to maintain its leading position within the Hong Kong life insurance market. The Issuer has ranked among the top five players in terms of insurance premium revenue for more than a decade. In addition, the Group has continued to improve its business, stimulating healthy development of business performance; in particular, the Group's comprehensive efforts towards its distribution channels allow it to focus on long-term insurance products with relatively high profit margins, thereby accelerating business growth.

Experienced management team, mostly appointed directly by the Parent Company.

The Company has a well-experienced management team with a strategic vision and innovative spirit, focusing on the long-term development of the Company. Most members of the management team are directly appointed by the Parent Company. The Company is committed to actively serving the overall development of the PRC, deepening the Company's presence in the Greater Bay Area and expanding into the Southeast Asian market. The Company strives to build a respected benchmark insurance enterprise, making new and greater contributions to the Group's efforts to create a world-class financial and insurance group. The management of the Company believes that, by targeting profit increase and value creation for the Company, simultaneously promoting the Company's self-accumulation and acquisition expansion, focusing on business development and investment management, it is possible to develop the Company into a specialised life insurance company with comprehensive strength ahead of the market. The chairman of the Company, Mr. LI Mingguang, also serves concurrently as a member of the party committee of the Parent Company. Mr. Li has a wealth of leadership and management experience in the insurance industry. The principal-in-charge of the Company, Mr. LIU Yuejin, is responsible for daily operations of the Company. He has extensive managerial experience in the insurance industry.

Business Strategies

The Group strives to continuously deliver steady business growth, enhance its competitiveness in Hong Kong and Macau, promote its growth in the Singapore and Indonesia markets, expand internationally and enlarge its market position and social influence. In order to achieve these objectives, the Group intends to build on the Parent Group's leading position in China's life insurance market, and pursue the following business strategies:

Reinforce advantages in Hong Kong and Macau markets and expand its footprints and developments globally.

The Group plans to leverage the Parent Group's global presence and abundant resources so as to reinforce its competitive advantages in Hong Kong and Macau, as well as elevate its market position and influence in Singapore and Indonesia. The Group has a rich heritage with its roots tracing back to 1933, serving customers for 90 years. According to the statistics published by the IA, the new business annual premium equivalent of the Hong Kong branch of the Company ranked top in the market for three consecutive years from 2019 to 2021 in the Hong Kong insurance market. The Group plans to continue leveraging its competitive advantages in Hong Kong and Macau to promote a steady business growth. The Group aims to build a distinguished team with professional agents, innovative techniques, elaborate management and outstanding quality.

Continuously improving market competitiveness and sustainable development capabilities, while steadily increasing profitability.

The Group's primary focus is profit growth and value creation. It emphasises business development and investment management. It aims to develop the Group into a life insurance company with comprehensive strength ahead of its peers, so as to adequately diversify its business offerings and undergo comprehensive development.

Continuously strengthen its management and enhance innovation-driven development to elevate its market position and influence.

The Group intends to strengthen its management and enhance its innovation-driven development. The Group plans to accelerate innovation in its corporate system, products and management, as well as to create an innovative operating platform linking its online and offline businesses through its technology innovation, for example, the "e-chinalife" platform where the clients can buy the Group's insurance products online directly, so as to develop and provide higher quality products more efficiently. With a view to increasing the Group's operational and managerial efficiency, the Group has developed and will continue to enhance its information technology strategy to build on its capacity to respond to market feedback and various contingencies and enhance the quality of its customer services and its risk-management capabilities. This will, in turn, strengthen the Group's market position in Hong Kong, Macau, Singapore and Indonesia.

With its strategy of "Two Benchmarks, Two Bases and One Centre", the Group strives to set benchmarks for high-quality development and risk management, to provide bases for talents and innovation training, and to become a profit centre for the Parent Group, for achieving further development and breakthroughs. The Group strives to continuously strengthen its management and enhance its innovation-driven development, as well as elevate its market position and influence.

History and Milestones

The following list sets forth certain milestones across the Group's operations:

1984 . . . . . . ● China Life Insurance Co., Ltd. was established

1984 . . . . . . ● China Life Insurance Co., Ltd. (中國人壽保險股份有限公司) established a branch in Hong Kong

1989 . . . . . . ● China Life Insurance Co., Ltd. established a branch in Macau

1995 . . . . . . ● China Life Trustees Limited was established

2007 . . . . . . ● the Company changed its corporate domicile from Beijing to Shenzhen

2015 . . . . . . ● China Life Singapore was established

2018 . . . . . . ● China Life Indonesia was established

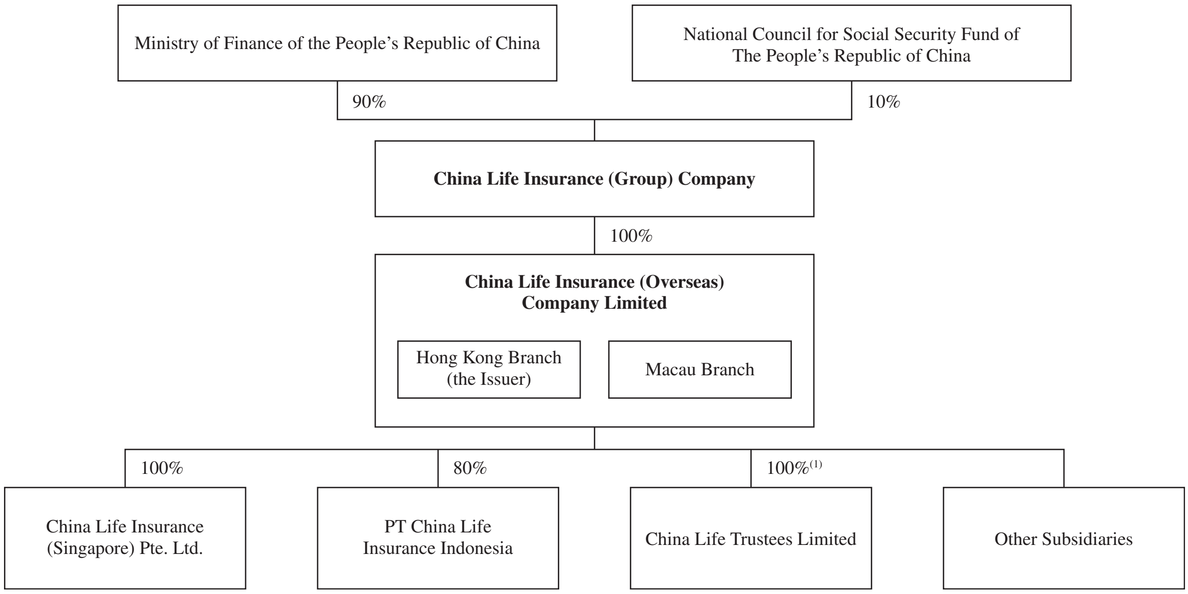
The Group's array of comprehensive and high-quality products and services has been widely recognised in the insurance industry, and the Group has been awarded numerous honours and accolades, including, among others:

Year	Award	Awarding Organisation
2014–2019	Caring Company for consecutive 5 years	The Hong Kong Council of Social Service
2015–2020	TVB Weekly Brand Award: Life Insurance Company	TVB Weekly (《TVB周刊》)
2018	Metro Awards for Brand Excellence: Critical Illness and Medical Insurance Plan	Metro Daily (都市日報) and Metro Prosperity (都市盛世)
2018	Influential Brand Marketing Award of the Year	CNKI (中國保險報)
2018	Wealth Management Award: Mobile Technology — Best-in-class; Client Servicing & Engagement and Outstanding Digital Project Award	BENCHMARK
2018	Outstanding eCommerce Excellence Award: Life Insurance	Economic Digest
2019	Sing Tao Service Awards: Voluntary Health Insurance Scheme (VHIS)	Sing Tao Daily (星島日報)
2019	The Outstanding Brand Awards: Critical Illness and Medical Insurance Category Award and Excellence Award	Economic Digest
2019	The Outstanding Brand Awards:	Economic Digest
2019	Bloomberg Businessweek Financial Institution Awards Outstanding Award for Digital Innovation; Outstanding Award for Online Platform; Outstanding Award for Cross-Border Insurance; and InsurTech Company of the Year	Bloomberg
2019	Hong Kong's Most Outstanding Business Awards: Pioneer in Insurance Industry	CORPHUB
2019	Web Accessibility Recognition Scheme: Gold Award	Hong Kong Internet Registration Corporation Limited
2019	Sing Tao Parents' Choice Brand Awards: Voluntary Health Insurance Scheme (VHIS)	Sing Tao Daily (星島日報)
2019	Asia's Most Valuable Brand Awards	MythFocus

Year	Award	Awarding Organisation
2019	The Outstanding Brand Awards: Critical Illness and Medical Insurance	Economic Digest
2019	Charter on External Lighting: Platinum and Gold Award	The Environment Bureau
2020	Most Innovative Enterprise Award: Best Critical Illness Insurance Product	Business Innovator
2020	Health Partnership Awards: Outstanding Comprehensive Critical Illness Protection Plan	ET Net Limited (經濟通)
2020	Asia's Most Valuable Service Awards	MythFocus
2021	Smart Living Partnership Awards: Outstanding Insurance Digital Services Platform	ET Net Limited (經濟通)
2021	Financial Education Leadership Award: Gold Award	Institute of Financial Planners of Hong Kong
2021	Sing Tao Service Award	Sing Tao Daily (星島日報)
2021	Health Partnership Awards: Outstanding High-end Medical Insurance Solution	ET Net Limited (經濟通)
2021	Award for Excellence in Finance: Award for Excellence in Customer Service	Ming Pao (明報)
2021	GBA Top 100 Enterprises Inheritance Award	Guangdong-Hong Kong-Macao-Bay Area Economic and Trade Association
2021	GBA Insurance Awards (Hong Kong Region): Outstanding Development Contribution to Insurance Industry by Metro Finance	Metro Finance (新城財經台)
2021	Ohpama Brand Awards — Most Favourite Brand: Critical Illness and Medical Insurance	ohpama.com
2022	Health Partnership Awards: Outstanding Comprehensive Critical Illness Protection Plan	ET Net Limited (經濟通)
2022	Most Innovative Life Insurance Company — Singapore	2022 International Finance Awards

Corporate Structure

The following chart sets forth the simplified corporate structure of the Group as at 31 December 2022:



(1) This shows the percentage of effective control.

Products

The Group offers a wide range of products tailored towards everyone from newborns to retired elderly, from accidental medical treatment to life savings, comprehensively covering the life cycle of the insured as well as different dimensions of insurance needs, helping the insured overcome the challenges at each stage of life. The Group's insurance products include insurance that caters for saving and wealth plans or protection after retirement, insurance that caters for medical protection, juvenile protection, life protection, critical illness protection or accident protection, employee benefits protection-related insurance as well as Mandatory Provident Fund and occupational retirement schemes-related products.

The Group's key business segments are life insurance and annuity business, group health business and retirement benefit contribution business. The table below sets forth the insurance premium revenue of the Group generated from each of its business segments for the years ended 31 December 2020, 2021 and 2022.

	For the year ended 31 December		
	2020	**2021**	**2022**
	(Unaudited)	**(Audited)** **(HK$'000)**	**(Audited)**
Gross premiums from:			
Life and annuity business	64,855,045	57,994,307	44,206,067
Group health business	63,382	73,678	94,201
Linked long-term business	91	86	71
Retirement benefit contributions	4,012,066	1,605,763	4,851,398

The following is a summary of the Group's life insurance and annuity, group health and retirement benefit contribution business segments.

Life insurance and annuity

Life insurance is a contract in which an insurer, in exchange for a premium, guarantees payment to an insured's beneficiaries on the death of the insured. Annuity is an insurance product in which the annuitant receives a series of future payments. The annuitant has to pay a predetermined payment or a series of regular payments while he/she is working. The Group offers life insurance and annuity products to individuals and institutions. Insurance premium revenue generated by the Group's life insurance and annuity products totalled HK$64.8 billion, HK$58.0 billion and HK$44.2 billion, respectively, for the years ended 31 December 2020, 2021 and 2022.

The Group offers a wide variety of life insurance and annuity products to individuals, providing a wide range of coverage for the whole length of a policyholder's life. The Group's individual life insurance and annuity products consist of whole life and term life insurance, endowment insurance, annuities and universal life insurance. The Group also offers life insurance products to enterprises and institutions, serving as part of the Group's institutional customers' overall employee benefit plans.

The following table sets forth selected financial information regarding the Group's life insurance and annuity products.

	For the year ended 31 December		
	2020	**2021**	**2022**
		(Unaudited) **(HK$'000)**	
Gross premiums from:			
Whole life and term life insurance	21,149,676	27,009,058	29,896,224
Endowment	35,479,086	26,448,295	13,055,358
Annuities	3,957,965	1,032,949	1,034,419
Universal life	4,194,262	3,423,554	128,313
Medical and other	74,056	80,451	91,753

Whole life and term life insurance

The Group offers participating and non-participating whole life and term life insurance products.

Non-participating life insurance products are contracts of insurance whereby the policyholder has only a right to the guaranteed benefit, which is not at the discretion of the insurer. Participating life insurance products are contracts of insurance whereby the policyholders have a contractual right to receive additional benefits based on investment returns and/or other factors, normally at the discretion of the insurer, as a supplement to any guaranteed benefits. The Group provides various life insurance plans, for instance, products designed for clients to eliminate the effects from the ups and downs of life, combining comprehensive protection with a savings component.

Endowment

Non-participating endowment products provide to the insured various guaranteed benefits if the insured survives specified maturity dates or periods stated in the policy, and provide to a beneficiary designated by the insured guaranteed benefits upon the death of the insured within the coverage period, in return for the periodic payment of premiums. Specified coverage periods generally range from five to 15 years or end at specified ages. Premiums are typically at a level amount for the coverage period.

The Group also offers participating endowment products, which are endowment policies that also provide a participation feature in the form of dividends. Policyholders are entitled to share a portion of the distributable earnings from participating products. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender.

Annuity products

The Group's annuity products are savings products where the accumulated amount can be paid out to the customer in a variety of income streams. The Group offers two main types of annuity products: a single premium product, where a customer can invest money in a deferred annuity by paying a single lump sum or a regular premium product, where a customer can invest over a period of years. Customers may also generally purchase an immediate or income annuity with a single premium, where annuity payments continue during the lifetime of the annuitant or for a fixed period.

Universal life

Universal life products are life insurance policies with flexible premium and benefit amounts whereby the customer pays flexible premiums that are accumulated in an account balance that is credited with an investment return at the discretion of the insurer. The customer may vary the death benefit and the contract may permit the customer to withdraw the account balance, typically subject to a surrender charge.

Medical

Medical insurance products are insurance policies which provide compensation for medical expenses incurred as a result of accidents or illnesses. The Group offers a variety of medical insurance products, including plans certified under the Voluntary Health Insurance Scheme in Hong Kong where the policyholders may enjoy a tax deduction.

Group health insurance

Group health insurance business provides health coverage for members of a group. Group health insurance business is most often business health insurance plans covering employees who work for the same company. The Group offers a broad array of health insurance products and services to groups, including disease-specific insurance and medical expense insurance, covering out-patient and in-patient benefits. The Group's Employee Benefits Protection plan provides life insurance and accident protection for companies' employees, offers hospitalisation protection for sickness and accident. Insurance premium revenue generated by the group health insurance business of the Group totalled HK$63.4 million, HK$73.7 million and HK$94.2 million, respectively, for the years ended 31 December 2020, 2021 and 2022.

Retirement benefit

Retirement contribution refers to monetary contribution made to a retirement plan. The Group's retirement benefit products include provident funds and mandatory provident funds which are defined contribution schemes.

In terms of occupational retirement schemes, the Company is the administration manager of China Life Central Provident Fund. China Life Central Provident Fund is a well-arranged pooled agreement for retirement schemes, managed by the Company. It offers flexibility and simplicity of design and operation of a defined contribution scheme. It can be tailor-made to cater for small to large-sized retirement schemes operating in Hong Kong. Currently, the China Life Central Provident Fund offers a sole investment choice which is an insurance policy, the Deposit Administration (Guaranteed Fund) Policy, and provides a minimum guaranteed net return 1.5 per cent. per annum.

In terms of mandatory provident fund, the Group established China Life MPF Master Trust Scheme under a master trust deed dated 26 January 2000 with no limited duration, open to all employers, employees, self-employed persons and personal account holders irrespective of their status as a temporary staff or part time worker. The insurance premium revenue from the Group's retirement benefit products totalled HK$4.0 billion, HK$1.6 billion and HK$4.9 billion, respectively, for the years ended 31 December 2020, 2021 and 2022.

Distribution Channels

The Group has developed a multi-channel distribution network selling individual and group insurance products through bancassurance, which is the Group's core distribution channel, and intermediaries and agencies as supporting channels. Commission rates vary by product, based on factors such as the payment terms and period over which the premiums are paid for the product, as well as applicable regulations.

The following table sets forth first year premium attributable to each distribution channel, as at the dates indicated.

	For the year ended 31 December					
	2020		2021 (Unaudited)		2022	
	Amount (HK$'000)	Percentage of total premium (%)	Amount (HK$'000)	Percentage of total premium (%)	Amount (HK$'000)	Percentage of total premium (%)
Bancassurance	153,989,133	86.0	14,674,305	79.4	4,490,204	64.8
Intermediaries	1,404,363	7.9	2,541,292	13.7	1,705,602	24.6
Exclusive agent force	1,023,254	5.7	1,196,112	6.5	644,856	9.3
Others	79,224	0.4	73,110	0.4	93,392	1.3

Bancassurance

Bancassurance is the Group's main distribution channel, generating a significant portion of the Group's total sales. As the Group's core distribution channel, first year premium brought by bancassurance amounted to HK$154.0 billion, HK$14.7 billion and HK$4.5 billion in 2020, 2021 and 2022, respectively. The Group maintains a stable and close relationship with Chinese banks, leveraging its bancassurance partnership with Bank of China, China CITIC Bank International and Bank of Communications, among others, to provide insurance products to its customers. As at 31 December 2022, the Group had multiple bancassurance partners for each jurisdiction in which it operates:

- *Hong Kong*: as at 31 December 2022, the Group had 18 bancassurance partners for its businesses in Hong Kong with a sales and service network composed of more than 600 branches of these partners.

- *Macau*: as at 31 December 2022, the Group had 13 bancassurance partners for its businesses in Macau with a sales and service network composed of more than 130 branches of these partners.

- *Singapore*: as at 31 December 2022, the Group had two bancassurance partners for its businesses in Singapore with a sales and service network composed of more than 15 branches of these partners.

- *Indonesia*: as at 31 December 2022, the Group had three bancassurance partners for its businesses in Indonesia with a sales and service network composed of more than 107 branches of these partners.

The Group will conduct due diligence in relation to a bank before entering into an agency agreement for bancassurance. The agency agreement will be entered into in accordance with the guidelines published by the Hong Kong Federation of Insurers, the IA or the relevant local regulatory authorities. The bancassurance partner must meet the requirements to register as an insurance agent with the IA or the relevant local regulatory authorities before it can sell the Group's products. The Group also provides extensive training to the agents on the Group's products and compliance requirements. The technical representatives (agent) of the bancassurance partners are required to obtain a certain number of credits to meet the continuing professional development requirements of the IA every year.

The Group's five largest bancassurance partners remain stable and together brought approximately 76.9 per cent., 79.8 per cent. and 85.2 per cent. of the first year premium attributable the Group's bancassurance channel in 2020, 2021 and 2022, respectively. The Group's five largest bancassurance partners in 2020, 2021 and 2022 were Bank of China, China CITIC Bank International, Bank of Communications, Nanyang Commercial Bank, and Industrial and Commercial Bank of China.

The Group has specialists to assist its bancassurance partners in supervising the sales personnel. Such specialists assist the bancassurance partners selectively to inspect the identity of sales personnel and the sales procedure. The Group complies strictly with the rules of the Hong Kong Federation of Insurers, the IA and relevant local regulatory authorities on marketing and advertising. Any marketing activity conducted by the bancassurance partner must have the Group's agreement in advance.

The Group will continue to dedicate substantial resources to develop the Group's bancassurance business. The Group has established strategic alliances with many banks. The Group intends to improve the attractiveness of the Group's products by providing new products and all-round services to each major bank and providing training and integrated systems support to the Group's banking partners.

Intermediaries

The Group also offers individual and group products through international intermediaries, focusing on high-end clients, international clients and jumbo insurance policies. First year premium generated from the intermediaries distribution channel was HK$1.7 billion in 2022. The Group had more than 300 intermediaries as at 31 December 2022, of which around 100 intermediaries have partnered with the Group for over 10 years. The intermediaries distribution channel is the Group's second largest distribution channel.

The Group markets group products through dedicated insurance agencies and insurance brokerage companies. Dedicated insurance agencies and insurance brokerage companies are willing to work with insurance companies primarily to select group insurance providers and group products and services in return for commission fees.

Exclusive agent force

The Group's exclusive agent force is one of the Group's valuable assets, allowing the Group to more effectively control the Group's distribution and build long-term relationships with the Group's individual and institutional customers. The number of the Group's exclusive agents increased from 3,240 as at the end of 2020 to 3,500 as at the end of 2022. First year premium generated from the distribution channel of exclusive agent force amounted to HK$650 million in 2022. The Group continues to attract more new qualified agents by expanding its recruitment programme, making further efforts to train new qualified agents and strengthen sales support. The Group successfully established the first "hundred person IDA team" amongst Chinese insurance companies and established its first Southeast Asia exclusive agent team in Singapore. At the same time, the Group conducts performance reviews of agent productivity to optimise its structure of exclusive agents. See "*Risk Factors — Risks Relating to The Group's business — The growth of the Group is dependent on its ability to attract and retain productive agents*". The Group is dedicated to the comprehensive development of its distribution channels and it was the first insurance company in Hong Kong to launch a wealth management centre for its exclusive agents, now with around 50 wealth management centres in operation.

The Group supports its agents and representatives through training programmes, sales materials and information technology systems. The Group sets product management and customer service standards, and has developed risk warning and credit rating systems, which the Group requires all of its agents to meet. The Group also has an extensive training programme.

The Group compensates its exclusive agent force through a system of commissions and bonuses to reward performance. The Group's agents are compensated based on a commission rate that generally decreases over the premium term. The Group provides group commercial supplemental pension insurance, group life and medical insurance for the Group's exclusive agents. The Group motivates its agents by rewarding them with performance-based bonuses and by organising sales-related competitions among different field offices and sales units. The Group also tries to increase the loyalty of its exclusive agents through other methods, such as through participation in sales conferences.

The Group intends to continuously improve the quality and productivity of its exclusive agent force and reduce the attrition rate of the Group's agents by taking the following actions:

- improving the overall productivity of the Group's exclusive agents by implementing a market segmentation sales approach, managing, supporting and incentivising its exclusive agents through different levels, and providing standardised sales services to its customers;

- motivating the Group's exclusive agents with an improved performance-based evaluation and compensation scheme;

- building a more professional exclusive agent force by improving the Group's education and training programme and enhancing its training efforts, and increasing the number of qualified exclusive agents;

- improving the quality of the Group's exclusive agent force and reducing turnover by expanding the Group's recruitment programme and strengthening cultivation, training and performance support for the Group's new exclusive agents; and

- improving the efficiency of the Group's exclusive agents by providing sales support, including establishing a customer service platform and improving and expanding the China Life E-Home sales support system nationwide to enhance further their marketing, time management and customer service capabilities.

The Group relies on its agency force to enhance its internal value and promote the development of the Group.

Competition

The competitive landscape across the markets in which the Group operates differs widely by geographical market. Leading market participants are normally either subsidiaries of large global life insurers or local entities. There were 68 licensed life insurance companies in Hong Kong as at 31 December 2022.

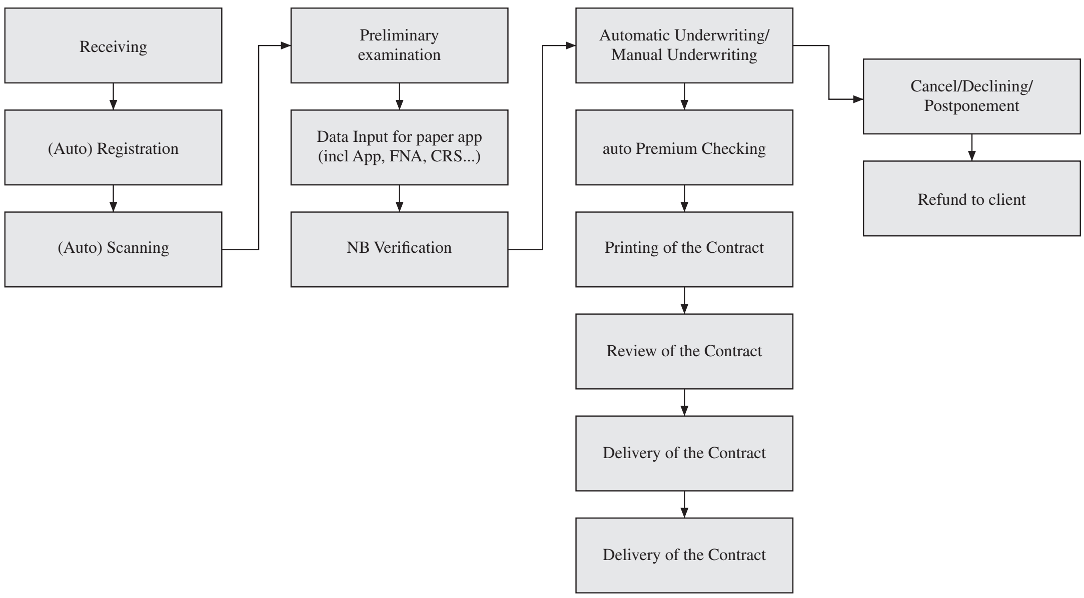
The Group also faces increasing competition from other financial services providers, primarily licensed mutual fund companies, commercial banks providing personal banking services and various financial products, trust companies and brokerage houses licensed to manage separate accounts. These financial services providers may be permitted to manage employer-sponsored defined contribution pension plans, which the Group believes will compete directly with the Group's annuity products. The Group also faces competition in the sale of the Group's individual participating policies and annuities from financial institutions which offer investment products to the public. See "*Risk Factors — Risks Relating to the Group's Industry — The Group faces significant competition*".

The Group believes competition in the markets in which it operates is based on factors including premiums charged and other terms and conditions of coverage, product features, investment performance, services provided, distribution capabilities, scale, experience, commission structure, brand strength and name recognition, information technology and actual or perceived financial strength. On an aggregate level, the Group's differentiated strengths and strategies position it well for growth.

Business Management

Business development and contract administration

The chart below provides a brief summary of the process after the Group receives new individual insurance orders.



It usually takes seven days from the receipt of a new individual insurance order to confirmation of registration or a refund for cheque payment, and one month for credit card payment.

Customer Service

The Group seeks to provide quality services to its customers and potential customers and to be responsive to their needs, both before and after a sale, through an extensive customer support network, maintained by the Group's customer service department.

The Group's customer service centre is responsible for setting uniform standards and procedures for providing policy-related services over-the-counter to customers, handling inquiries and complaints from customers and training customer services personnel. The Group's telephone call service hotline centre allows customers or even sales personnel to make product and service inquiries. It collects customers' compliments, advice and complaints and forwards them to the relevant department for follow-up. The Group's telephone call service hotline centre is also responsible for setting uniform standards and procedures for providing policy-related services via phone calls to customers, supervising service quality periodically through regular call quality monitoring and customer services personnel training.

The Group has established procedures and policies to handle claims and complaints, and has set up indicators to examine the progress of claims and complaints management on a regular basis. To allow the Group's customers to benefit from superior service and enhance their service experience, the Group's customer service department assists the sales personnel with some complicated inquiries, and provides periodical training and communication seminars to ensure that sales personnel can solve daily inquiries or complaints efficiently. In addition, the customer service department may assist other departments in the organisation and implementation of important projects.

Underwriting and pricing

The Group's individual and group insurance underwriting involves the evaluation of applications for life, accident and health insurance products by a professional staff of underwriters and actuaries, who determine the type and the amount of risk that the Group is willing to accept. The Group has established qualification requirements and review procedures for the Group's underwriting professionals. The Group employs detailed underwriting policies, guidelines and procedures designed to assist its underwriters to assess and quantify risks before issuing a policy to qualified applicants.

The Group generally evaluates the risk characteristics of each prospective insured. Requests for coverage are reviewed on their merits, and a policy is not issued unless the particular risk or group has been examined and approved for underwriting.

Individual and group product pricing reflects the Group's insurance underwriting standards. Product pricing on insurance products is based on the expected payout of benefits, calculated through the use of mortality tables, morbidity, expenses and investment returns. Those assumptions and other assumptions for calculating the margin for expected profitability are based on the Group's own experience, third-party consultation, the experience of reinsurance companies and published data from other institutions.

Claims management

The Group manages claims from policyholders through its claims verification staff, and manages claims management risk through its organisational controls and procedures. Typically, upon receiving a claim, verification personnel will verify preliminarily if all materials supporting the claim have been submitted; if so, the claim and its materials will be forwarded to the liability department to confirm liability and to determine whether a claim investigation is needed. Upon confirming the validity of the claim and insurance liability, the amount payable to the policyholder will be calculated, and the claim will be paid upon completion of the review and approval procedure. For claims which need to be inspected onsite, the Group may, having obtained applicants' written authorisation, send investigators into the field and interview individuals or group, including other life insurance companies, medical institutions or medical service providers.

Reinsurance

The Group has entered into reinsurance agreements for both individual and group risk with various reinsurers. Munich Reinsurance Company is currently the Group's main reinsurer for individual life reinsurance business. The Group also entered into reinsurance agreements with RGA Reinsurance Company Hong Kong Branch, Taiping Reinsurance Co. Ltd., China Life Reinsurance Co. Ltd., General Reinsurance AG Hong Kong Branch, Munich Reinsurance Company Hong Kong Branch, SCOR Global Life SE, SCOR Reinsurance Co. (Asia) Ltd., China Life Reinsurance (Hong Kong) Co. Ltd., Hannover Ruckversicherungs — AG Hong Kong Branch, and Hannover Ruck SE Hong Kong Branch for other reinsurance business. In general, individual risks in life insurance business are primarily reinsured on surplus and quota share basis. For surplus basis, the Group generally reinsured for risks with no more than HK$1 million or HK$3 million, depending on policy issue years, benefits and treaties. For quota share basis, the Group generally reinsured for risks of up to 80 per cent. of the first HK$1 million. The Group's group risks in non-medical insurance are generally reinsured on a quota share with surplus basis, whereby the Group retains 50 per cent. risk with no more than HK$1 million or HK$3 million in any event depending on different benefits (e.g. life, CI, TPD etc). For medical insurance, it is generally reinsured on quota share basis, whereby the Group retains 50 per cent. risk. The Group reinsures its risks from critical illness and medical insurance contracts on surplus/quota share basis whereby the percentage of risk retained by the Group varies from 20 per cent. to 70 per cent. among different types of insurance products, which shall not exceed from HK$0.5 million to HK$1 million in any event, depending on the individual agreement. The Group also has coinsurance arrangements with other reinsurers and acts as reinsurer as well. These reinsurance agreements spread the risk and reduce the effect on the Group of potential losses. Under the terms of the reinsurance agreements, the reinsurer agrees to assume liabilities for the insured, or ceded, amount in the event that the claim is paid. However, the Group remains liable to the Group's policyholders if the reinsurer fails to meet the obligations assumed by it.

The Group also accepts external auditing of the reinsurance business by the Group's reinsurers.

Reserves of Insurance Contracts

For all of the Group's insurance contracts, premiums are recognised as revenue when they become payable by the policyholders. The Group's Hong Kong and Macau branches follow the Hong Kong and Macau regulatory requirements to measure its insurance contract liabilities, whereas its Singapore and Indonesia subsidiaries follow local requirements and international account standards. The liabilities arising from insurance contracts are calculated using an adjusted net level premium reserve method based on current assumptions as to mortality and investment return, including a margin for adverse deviation. The liability at individual policy level is subject to a minimum surrender value.

The determination of the liabilities under insurance contracts is dependent on estimates made by the Group, in particular with regard to mortality, morbidity and investment returns. The Group bases these estimates on experience with adjustment for new trends, current market conditions and future expectations. As such, the liabilities for future benefit payments and premiums arising from insurance contracts may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths and the rates of diagnosis of critical illnesses determine the value of the benefit payments and the value of the valuation premiums. The Group bases its mortality estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience, and morbidity estimates are derived from reinsurer information. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality and morbidity being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality and morbidity risk. However, continuing development in medical care and social conditions could result in improvement 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.

- Estimates are also made as to future investment income arising from the assets backing insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Uncertainty in the estimation of future benefit payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour. Estimates are made for mortality in each of the years that the Group is exposed to risk. The Group determines its mortality assumptions, on a prudent basis, with reference to the Group's historical mortality experience.

Investments

The Group invests its premiums and other income generated from insurance businesses into, among others, fixed income securities, equity securities, term deposits, cash and cash equivalents, funds and interest receivables. For the three years ended 31 December 2020, 2021 and 2022, the Group's net investment income was HK$18.5 billion, HK$21.3 billion and HK$8.3 billion, respectively. As at 31 December 2020, 2021 and 2022, the Group had HK$455.0 billion, HK$439.2 billion and HK$419.9 billion of investment assets, respectively.

Investment proposals typically originate from the Group's board of directors (the "**Board**"), the president's office and the Board's strategy and investment committee. The investment management department reports on investment opportunities, plans and advice to the strategy and investment committee. The investment management department also executes the resolutions passed by the Board, the president's office and the strategy and investment committee, follows up on the execution and reports periodically, as well as manages investments within its authorisation. Investment proposals are reviewed by the Group's risk-management department for risk assessment and submitted to the investment decision committee for final approval.

Risk-Management

The Group recognises the importance of sound risk-management in every aspect of its business.

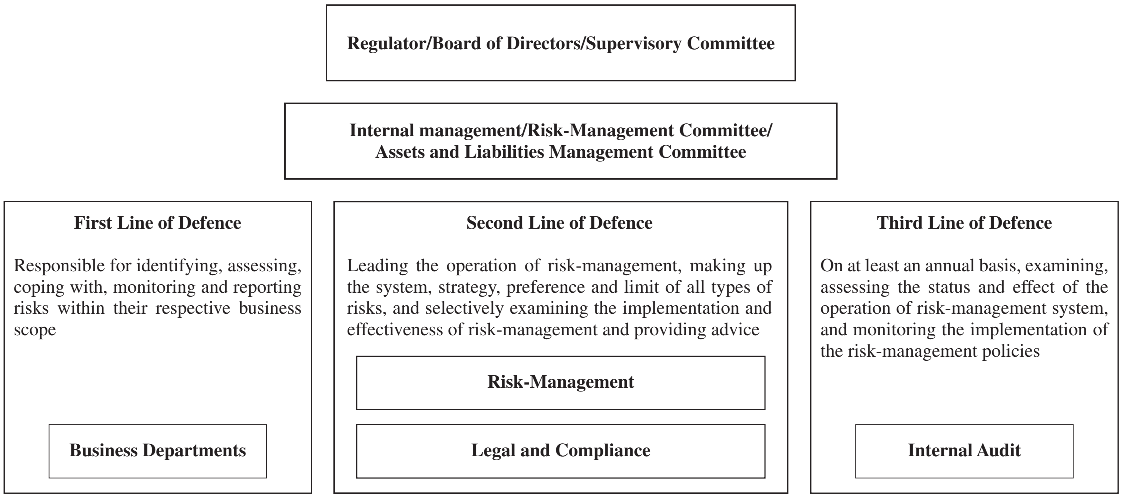
The Group is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk, credit risk and liquidity risk.

Market risks include interest rate risk, currency risk and other price risk. The Group has certain in-force insurance contracts that have benefit payments that are fixed and guaranteed at the inception of the contract. The Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable. The Group manages its interest rate risk by monitoring and adjusting the composition of its debt securities portfolio, including the duration of the securities, the investment yields and the percentage investment in fixed and variable interest instruments. The investment portfolio supporting the Group's insurance contracts is mainly denominated in U.S. dollars and Hong Kong dollars, whereas the liabilities arising from insurance contracts are mainly denominated in Hong Kong dollars. Under the pegging currency mechanism between the Hong Kong dollar and the U.S. dollar, the currency risk exposure in relation to the assets denominated in U.S. dollars is minimal. The Group is also exposed to equity price risk through its investments in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles, and by investing only a certain percentage of assets in equity securities.

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due and may arise from the Group's reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid, amounts due from insurance policyholders, amounts due from insurance intermediaries and the Group's counterparty risk with respect to debt securities. The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to regular reviews. Limits on the level of credit risk by category are reviewed and approved regularly by management, and reinsurance is also used to manage insurance risk.

The Group manages its liquidity risk by monitoring the contractual cash inflows from the assets and expected cash outflows from insurance liabilities for the next five years. The estimated maturity for insurance contracts is proportionate to their carrying values based on projections of estimated cash flows.

The Group's risk-management framework is guided by the "Three Lines of Defence" model as shown below:



With regard to risk-management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances, to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risk between the executive management, risk and compliance and internal audit functions. While each line of defence is independent from the others, they work closely together to ensure effective oversight.

Information Technology

The Group's computer systems provide support for many aspects of its businesses, including product development, sales and marketing, business management, cost control and risk control. As at 31 December 2022, the Group had approximately 121 experienced engineers, technicians and specialists providing professional and flexible support for the Group's business operations across various aspects, including the design, research and development and operation of the Group's computer systems.

Employees

As at 31 December 2022, the Group had approximately 742 employees. The following table sets forth the number of the Group's employees by their functions as at 31 December 2022.

	As at 31 December 2022	
	Number of employees	% of total
Management and administrative staff	82	11.1
Financial and auditing staff	59	8.0
Sales and marketing staff(1)	150	20.2
Underwriters, claim specialists and customer service staff	125	16.9
Other professional and technical staff(2)	214	28.8
Other	112	15.1
Total	742	100.0

(1) Includes direct sales representatives.

(2) Includes actuaries, product development personnel, investment management personnel and information technology specialists.

As at 31 December 2022, the Group had approximately 3,500 exclusive agents. The Group has continuously attracted more new qualified agents by expanding its recruitment programme, making further efforts in training new qualified agents and strengthening sales support. The Group has not experienced any strikes or disruptions due to labour disputes. The Group considers its relations with its employees and agents to be good.

Legal and Regulatory Proceedings

As at the date of this Offering Circular, the Group was not aware of any current, pending or threatened litigation, arbitration or regulatory proceedings against the Group or, to the Group's best knowledge, the directors or senior management of any member of the Group, in relation to its insurance business that are likely to have a material and adverse effect on its financial condition, results of operations, business or prospects or the ability of the Issuer to perform its obligations under the Bonds.

The following table sets forth information regarding the directors, supervisors and senior management of the Company as at the date of this Offering Circular.

Name	Age	Position
Mr. LI Mingguang[(1)]	54	Chairman
Mr. WANG Junhui	51	Director
Mr. LIU Yuejin	56	Director and Principal-in-Charge
Mr. JIANG Tao	53	Director and Vice President
Mr. LIU Qing	42	Director
Ms. LANG Kuan	53	Director
Mr. MAO Yumin	67	Director
Mr. XU Shiqing	61	Director
Mr. GUO Yike	60	Director
Ms. HAN Mei	59	Chairperson of the Supervisory Committee
Mr. BAO Minghong	56	Supervisor
Mr. HAN Song	50	Supervisor and General Manager of Risk Management Department
Ms. HU Qun	51	Vice President and the General Manager of the Issuer
Ms. KANG Le	45	Vice President

(1) According to the decision of the Parent Company, Mr. LI Mingguang is appointed as director and chairman of the fifth session of the board of directors of the Company. Mr. LI Mingguang's term of office as chairman of the Company shall be effective following its approval of qualification by the National Administration of Financial Regulation of the PRC.

Directors

Mr. LI Mingguang was born in July 1969. Mr. Li is a director of the Company and the chairman of the board of directors of the Company. He is concurrently a member of the party committee of the Parent Company and a director of China Life Asset Management Company Limited. He previously held various roles in China Life Insurance Company Limited, including vice president and secretary of the board of directors. Mr. Li graduated from Central University of Finance and Economics with a master's degree in monetary banking.

Mr. WANG Junhui was born in July 1971 and is a director of the Company. He has been the chief investment officer of the Parent Company and the president of China Life Asset Management Company Limited since August 2016. He was the assistant to the general manager and director of the investment department of Harvest Fund Management Co., Ltd., and the president of China Life Investment Management Company Limited. Mr. Wang holds a doctorate degree in economics and is a senior economist.

Mr. LIU Yuejin is currently the principal-in-charge of the Company and a director of the Company. Mr. Liu has extensive management experience in the insurance industry. He was the assistant to the president of China Life Insurance Company Limited and has successively served as the general manager of the Guizhou, Chongqing and Guangdong branches of China Life Insurance Company Limited. Mr. Liu graduated from Shanxi University of Finance and Economics with a bachelor's degree in economics, majoring in planning and statistics.

JIANG Tao was born in March 1970 and is a director of the Company. He has been the vice president of the Company since July 2018. Mr. Jiang has 25 years of experience in insurance and actuarial management. Mr. Jiang holds a bachelor's degree in from Tsinghua University, and a master's degree in probability theory from Peking University. Mr. Jiang is a fellow of the Society of Actuaries and China Actuaries. He is the chairman of 2018 Society of Actuaries China Office and director of China Association of Actuaries.

Mr. LIU Qing was born in April 1980 and is a director of the Company. He is currently the general manager of the finance department of the Parent Company. Mr. Liu joined the Parent Company in 2003, where he successively served as Deputy Director, Supervisor, Senior Supervisor, Manager, Senior Manager, Assistant General Manager and Deputy General Manager of the financial management division of the finance department. Mr. Liu graduated from Peking University with a bachelor's degree in applied mathematics and a master's degree in economics.

Ms. LANG Kuan was born in July 1969 and is a director of the Company. Ms. Lang is currently the general manager of the International Department of the Parent Company. After joining China Life Insurance Company Limited in 2004, from 2006 to 2019, Ms. Lang served as the representative and chief representative to the Liaison Office of China Life Insurance Company Limited in Hong Kong and the general manager of the county insurance department for China Life Insurance Company Limited. She also held general manager roles in the VIP business department, comprehensive financial business department and special risk business department of China Life Property & Casualty Insurance Company Limited. Ms. Lang graduated from Hunan University of Finance and Economics in 1999 with a master's degree in economics. She graduated from RMIT University in Australia in 2003 with a master's degree in business administration.

Mr. MAO Yumin was born in March 1955 and is a director of the Company. Mr. Mao has over 30 years of experience in banking and finance. He is currently the vice chairman of Macao Development Bank, and concurrently serves as an independent director of the Company, China Galaxy International Financial Holdings, Jiangsu Zhiyuan Pharmaceutical Co., Ltd., and as the executive director of China Construction Bank (Asia). From 2007 to 2016, he successively served as the investment and wealth management director of China Construction Bank, the executive director and vice chairman of China Construction Bank (Asia), the non-executive director and chairman of China Construction Bank (London), the chief executive officer of China Construction Bank (Asia), as well as the executive director and general manager of China Construction Bank Hong Kong Branch. Furthermore, from 2017 to 2020, he served as the president of Macao Development Bank. Mr. Mao graduated from Jiangxi University of Finance and Economics in 1983 with a bachelor's degree in finance, majoring in infrastructure finance.

Mr. XU Shiqing was born in March 1961 and is a director of the Company. Prior to joining the Company, Mr. Xu worked in China Merchants Bank for an extensive period of time and has over 30 years of industry experience. From 2004 to 2011, he served as the general manager of several departments of China Merchants Bank. From 2011 to 2016, he held senior executive roles at China Merchants Bank including the president of the Hong Kong branch and the secretary of the board of directors. From 2008 to 2011 and from 2016 to 2020, he also held a number of roles at CMB Wing Lung Bank, including executive director and general manager. Mr. Xu graduated from the University of Southern California, University of Missouri, Nanjing University, and Tianjin University with a Ph.D. in management, an MBA, a master of economics, and a bachelor of mathematics.

Mr. GUO Yike was born in October 1962 and is a director of the Company. He is currently the Principal Vice Chancellor at the Hong Kong University of Science and Technology, director of the Data Science Institute at Imperial College London and a professor at various departments of Imperial College London. Professor Guo was a professor at the Department of Computer Science and Engineering from 1999 to 2022 and the Vice President (Research and Development) of the Hong Kong Baptist University from

2020 to 2022. He was elected a fellow of the Royal Academy of Engineering and the Hong Kong Academy of Sciences, and he is a member of Academia Europaea. Mr. Guo holds a Ph.D. from Tsinghua University and from Imperial College London respectively.

Supervisors

Ms. HAN Mei is the chairperson of the supervisory committee of the Company. She has more than 20 years of extensive investment management experience and has held key positions in various banks and financial service companies. Ms. Han previously held managerial positions in various departments of China Life Asset Management Company Limited, including credit management, portfolio investment and investment management. Ms. Han graduated from Renmin University of China with a bachelor's degree in economics and later obtained a master's degree in management from The Chinese University of Hong Kong.

Mr. BAO Minghong is a supervisor of the Company. Mr. Bao is currently the Deputy General Manager of the audit department of the Parent Company. He used to serve as the Deputy General Manager of the No.1 sub-branch of China Life Property and Casualty Insurance Company Limited's Tianjin Branch, and has over 20 years of experience in the insurance industry.

Mr. HAN Song is a supervisor of the Company. Mr. Han is currently the general manager of the risk management department of the Company and has over 20 years of experience in the insurance industry.

Senior Management

Mr. LIU Yuejin is currently the principal-in-charge of the Company. For further details of Mr. Liu,*see "Directors"above.*

Mr. JIANG Tao is currently the vice president of the Company. For further details of Mr. Jiang, see "*Directors*" above.

Ms. HAN Mei is currently the chairperson of the supervisory committee of the Company. For further details of Ms. Han, see "*Supervisors*" above.

Ms. HU Qun is currently the vice president of the Company and the general manager of Hong Kong Branch. Ms. Hu has more than 25 years of experience in the finance and insurance sector. Prior to joining the Company, she was the president assistant of China Life Insurance Company Limited, and the associate dean of the Insurance Professional College. Previously, she held managerial positions in Shenzhen Branch of China Life Insurance Company Limited, including general manager of Shenzhen Branch and general manager of Regional Product Development Centre. Ms. Hu graduated from the School of Finance at Nankai University with a bachelor's degree in economics.

Ms. KANG Le is the vice president of the Company. She has extensive working experience in asset management and risk management. Ms. Kang previously served as deputy general manager of asset management department, deputy general manager of risk management and compliance department, general manager of risk management and compliance department of China Life Investment Holdings Limited, and the general manager of China Life Goldstone Asset Management Company Limited. Ms. Kang graduated from the China University of Political Science and Law with a master's degree in law.

Board Committees

The Board has established a nomination and remuneration committee, an audit and consumer rights protection committee, a strategy and investment committee, a risk management committee and a related party transaction control committee.

The primary duties of the nomination and remuneration committee are to review and make suggestions on the system, assessment criteria and remuneration incentive measures for nominating, selecting, appointing, reappointing or dismissing directors, senior management and other officers in important positions in the Company (including actuaries, finance, internal audit, compliance, risk-management and intermediary management), to make suggestions on the structure, size and components (including the skills, knowledge and experience) of the Board, to review the nomination of directors, senior management and other officers in important positions of the Company to ensure that all persons to be appointed are appropriate candidates and the nomination, selection, appointment, reappointment or dismissal of the candidates concerned shall be carried out in accordance with relevant systems and transparent procedures, to make suggestions to the Board on the high-level training plan for directors and senior management, to evaluate the performance of senior management of the Company and make proposals on remuneration allocation of directors and senior management to the Board for review and approval, as well as other duties assigned by the Board. The nomination and remuneration committee is currently composed of Mr. XU Shiqing, Mr. MAO Yumin and Ms. LANG Kuan.

The primary duties of the audit and consumer rights protection committee are to propose the appointment, reappointment and replacement of the external auditor, to review and supervise the accounting policies, financial reports and disclosures thereof, to study the investigation results and the management responses on internal control matters at its discretion or by appointment of the Board, to review the Company's internal control assessment reports and submit improvement suggestions to the Board, to supervise the Company's implementation of the internal audit system and the rectification of the major issues found by internal audit and external audit, as well as other duties assigned by the Board. The audit and consumer rights protection committee is currently composed of Mr. MAO Yumin, Mr. GUO Yike and Mr. LIU Qing.

The primary duties of the strategy and investment committee are to review and submit proposals regarding the mid- to long-term development strategies and plans, to propose strategic adjustments based on the operating environment changes, to study and make suggestions on the Company's asset strategic allocation plan, the annual investment plan, investment guidelines and other matters, to study and make suggestions on the major investment projects which are required to be approved by the Board, to listen to the management report on investment situation and investment risk analysis quarterly and make suggestions to the Board, as well as other duties assigned by the Board. The strategy and investment committee is currently composed of Mr. GUO Yike, Mr. WANG Junhui and Mr. LIU Yuejin.

The primary duties of the risk management committee are to supervise and assess the effectiveness of the Company's risk management system, to review and make suggestions to the Board on the Company's overall target for solvency risk management, risk appetite, risk tolerance and risk management policies and procedures, to discuss and make suggestions to the Board on the adequacy and effectiveness of the Company's risk management structure, to discuss the risks of the Company's material operations and the identification, assessment, monitoring and management of material risks, to continuously monitor the various types of risks faced by the Company and their management, to report to the Board on the quantification of risk, including appropriate verification of risk and capital measurement models, scenarios and stress testing, to review the annual compliance report and hear the report of compliance officers and the compliance management department, to make suggestions to the Board on the implementation of the Company's compliance management policies and any compliance issues, as well as other duties assigned by the Board. The risk management committee is currently composed of Mr. MAO Yumin, Mr. XU Shiqing and Mr. JIANG Tao.

The primary duties of the related party transaction control committee are to review the Company's related party transaction management system, to review material related party transactions and opine on the compliance, fairness and necessity of material related party transactions, to supervise and approve other matters regarding related party transactions, to regularly review the list of the Company's related parties, to regularly report to the Board on the management of related party transactions, to make suggestions for rectification and disciplinary actions in the event of non-compliance incidents concerning related party transactions, as well as other duties assigned by the Board. The related party transaction control committee is currently composed of Mr. GUO Yike, Mr. MAO Yumin and Mr. JIANG Tao.

Overview

The insurance industry is regulated in the geographical markets in which the Group operates. While the extent of such regulation varies among the markets and the business segments, most jurisdictions have laws and regulations regarding, among other things, capital requirements, reserve requirements, asset management requirements, statutory deposits and/or security deposit requirements, separate account requirements, restrictions on foreign insurers and restrictions on dividends and profit remittances.

Hong Kong

In Hong Kong, the Group is regulated through the Issuer. The main source of statutory regulation of the insurance market and insurance businesses in Hong Kong is the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended or supplemented from time to time (the "**IO**") and its subsidiary regulations, which set out requirements for the authorisation, ongoing compliance and reporting obligations of insurers and insurance intermediaries.

The IA is the statutory body which administers the IO. The principal functions of the IA are to ensure that the interests of policyholders or potential policyholders are protected and to promote the general stability of the insurance industry. The IA has the following major duties and powers: (a) authorisation of insurers to carry on insurance business in Hong Kong; (b) regulation of insurers' financial condition, primarily through the examination of the annual audited financial statements and business returns submitted by the insurers; and (c) development of legislation and guidelines on insurance supervision. See "*Risk Factors — Risks Relating to the Bonds — The Financial Institutions (Resolution) Ordinance may adversely affect the Bonds*".

In addition to regulation by the IA, the Company is a member of the Hong Kong Federation of Insurers (the "**HKFI**"), an industry body that issues codes of practice and guidance that are binding on its members in relation to, among other things, the administration of insurance agents and the provision of insurance products and services. The HKFI maintains a frequent dialogue with the IA on legislative issues affecting the insurance industry and actively promotes best market practices with an aim of improving the professionalism of and strengthening public confidence in the insurance industry. With effect from 23 September 2019, the IA took over the regulation of insurance intermediaries from the three Self-Regulatory Organisations (being The Insurance Agents Registration Board established under the HKFI, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association), and became the sole regulator to license and supervise insurance intermediaries in Hong Kong.

Certain types of products and services offered by the Group in Hong Kong may also be regulated by other regulatory bodies such as the Securities and Futures Commission (the "**SFC**") and the Mandatory Provident Fund Schemes Authority (the "**MPFA**") under other statutory regimes and ordinances. These include the Group's mandatory provident fund schemes ("**MPF**") governed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "**MPFSO**") and the Group's retirement schemes governed by the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) (the "**ORSO**"), and certain investment-linked assurance schemes products governed by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). See "*— Regulation under the MPFSO and ORSO*" and "*— Regulation in relation to Investment-Linked Assurance Schemes Products*".

Authorisation Requirements under the IO

Any company wishing to carry on insurance business in or from Hong Kong may apply to the IA for authorisation to do so under the IO. The IO also imposes certain restrictions and conditions on the transfer of business by, and the winding-up of, insurers.

A "company" for the purposes of the IO is one formed and registered under the Companies Ordinance (Cap. 622), or one formed and registered under the former Companies Ordinance, including a non-Hong Kong company to which Part 16 of the Companies Ordinance (Cap. 622) applies.

Authorisation requirements and procedures are set out in the Authorisation Guideline (GL1) and Guideline on Application for Authorisation to Carry on Insurance Business in or from Hong Kong (GL5). Authorisation to carry on insurance business in or from Hong Kong will only be granted to those insurers who meet the authorisation requirements stipulated under sections 8(2) and 8(3) of the IO.

Adequate Capital Requirement under the IO

The minimum paid-up capital is currently HK$10 million, or HK$20 million for a composite insurer (i.e. carrying on both general and long-term business) or for an insurer wishing to carry on statutory classes of insurance business. It should be emphasised that these are the minimum amounts and an appropriate safety margin is required on top of the required capital.

Adequate Solvency Requirement under the IO

An insurer shall maintain an excess of assets over liabilities of not less than a required solvency margin. The objective is to provide a reasonable safeguard against the risk that the insurer's assets may be inadequate to meet its liabilities arising from unpredictable events, such as adverse fluctuations in its operating result or the value of its assets and liabilities.

For long-term business insurers, the IO stipulates a minimum solvency margin of HK$2 million.

Solvency margins are determined in accordance with the Insurance (Margin of Solvency) Rules, which sets out a series of calculations to be used depending on the particular class of long-term business involved, subject to a minimum solvency margin of HK$2 million.

For the purposes of determining compliance with the solvency margin requirement, the amount of the long-term business liabilities, in the case of an insurer carrying on long-term business, is to be determined in accordance with the Insurance (Determination of Long-Term Liabilities) Rules.

IA's Power of Intervention

The IA is empowered under Part V of the IO to intervene in an insurer's business and take appropriate actions in (among others) the following circumstances:

- where the IA considers that the exercise of this power is desirable for protecting policyholders or potential policyholders of the insurer against the risk that the insurer may be unable to meet its liabilities or to fulfil the reasonable expectations of policyholders or potential policyholders;

- where it appears to the IA that the insurer or, in limited circumstances, its holding company has failed to satisfy any of its obligations under the IO;

- where it appears to the IA that the insurer has provided misleading or inaccurate information to it for the purposes of the IO;

- where the IA is not satisfied as to the adequacy of the insurer's reinsurance arrangements;
- where the IA is not satisfied with the financial condition of the insurer or its compliance position with the prescribed regulatory benchmark or requirements in respect of, among other things, its assets and liabilities matching position, reserving level or financial protections;
- where there exists one of the specified grounds on which the IA would be prohibited from authorising the insurer if it were to make an application for authorisation (including where the insurer's directors and controllers fail any "fitness and properness" requirement); or
- where it appears to the IA that the circumstance described in section 35AA(1) or (2) of the IO exists (i.e., the insurer has failed to maintain the required excess of the value of its assets over the amount of its liabilities).

The IA may also intervene in an insurer's business, whether or not any of the above circumstances exist, at any time during the five-year period following authorisation of the insurer or a person becoming a controller of an insurer.

The actions that the IA may take in intervening in an insurer's business include:

- restrictions on the insurer effecting new business;
- restrictions on types of investments an insurer may make, or requirements that the insurer realizes certain types of investments within a specified period;
- requirements that an insurer maintain assets in Hong Kong equal to the whole or a specified portion of the liabilities arising from its Hong Kong business, and that these assets be held in the custody of a trustee approved by the IA;
- requirements that an insurer takes steps to limit the premium income it receives during a specified period to a specified amount in respect of certain classes of business; and
- requirements that the insurer conducts a special actuarial investigation on its long-term business to produce information and documents and requirements that the insurer accelerates its submission to the IA of financial reports and actuarial investigations and other specified documents.

In addition, under certain specified circumstances, the IA may direct that a manager is appointed to assume control of an insurer.

Regulation of MPF Intermediaries

The MPFA is the body established to act as the regulatory authority under the MPFSO and is responsible for regulating and supervising the operations of MPF schemes. The MPFA registers MPF schemes, approves constituent funds of the schemes and ensures that they operate properly in accordance with the MPFSO, subsidiary legislation and the guidelines issued by the MPFA.

A person is required to be registered with the MPFA as an MPF intermediary before he can engage in MPF sales and marketing activities that may influence a prospective or existing participant of an MPF scheme in making a decision that affects the participant's benefits in an MPF scheme. The MPFA may only register as "principal intermediaries" institutions registered with the SFC for dealing in securities and/or advising on securities regulated activity corporations licensed by the SFC for dealing in securities regulated activity and/or advising on securities regulated activity, insurers authorised under the IO to carry on a long-term insurance business and licensed long-term insurance broker companies under the IO. As at the date of this Offering Circular, the Company is a "principal intermediary" registered under the MPFSO. Certain individuals attached to a principal intermediary are also required to be registered with the MPFA as "subsidiary intermediaries". Both principal intermediaries and subsidiaries intermediaries constitute "MPF intermediaries". In regulating MPF intermediaries, the MPFA works with three frontline regulators, namely the IA, the SFC and the Hong Kong Monetary Authority (collectively, the "**Frontline Regulators**"). The MPFA and the Frontline Regulators have distinct powers and functions. In cases concerning conduct issues, the Frontline Regulators are responsible for supervision and investigation of the relevant registered MPF intermediaries who are the Frontline Regulators' respective regulatees under their own regimes while the MPFA is the sole authority to determine and impose any disciplinary orders under the MPFSO. Conduct requirements for MPF intermediaries are set out in the MPFSO and a guideline issued by the MPFA.

Regulation in relation to Investment-Linked Assurance Schemes Products

The marketing and promotion of investment-linked assurance schemes products that are offered to the public are subject to authorisation by the SFC in accordance with Part IV of the SFO and related codes and guidelines issued by the SFC (for example, the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products) that require certain information to be disclosed to potential investors and impose restrictions on the content of advertisements and the claims that can be made with respect to risks and potential returns on an investment. The SFC provides guidance from time to time with regards to the regulation of investment-linked assurance schemes products.

Separately, the IA has issued guidelines with respect to insurers underwriting investment-linked assurance schemes products. Requirements in relation to such products include, among others, the use of an Important Facts Statement, post-sale audio-recorded telephone confirmation calls and enhanced disclosure of intermediaries' remuneration if asked by a client.

Risk-based Capital

Hong Kong is in the process of moving to a risk-based capital regime from the current rules-based regime. The new regime will comprise three pillars (Pillar 1: quantitative requirements; Pillar 2: qualitative requirements; and Pillar 3: disclosure and transparency requirements). Pillar 2 was introduced via IA's Guideline on Enterprise Risk Management (GL21) and was effective from 1 January 2020. The remaining Pillar 1 and Pillar 3 requirements are expected to be introduced in 2024, subject to final approval and legislative adoption. These areas are the subject of ongoing consultation and field testing. Quantitative Impact Studies were conducted in 2017, 2018, 2019 and 2020 with further consultation related to details of participating fund management over the course of 2021. Further, on 6 April 2023, the Insurance (Amendment) Bill 2023 (for the purposes of this paragraph, the "**Bill**") was published in the Gazette. The Bill seeks to provide the legislative framework for the implementation of the risk-based capital regime for the insurance industry in Hong Kong and is expected to provide the legal basis for implementing the Pillar 1 and Pillar 3 requirements, removing or updating certain obsolete provisions of the IO and empowering the IA to prescribe the detailed requirements by way of subsidiary legislation. However, the Bill remains subject to final approval and legislative adoption. Therefore, as at the date of the Offering Circular, the final details of Pillar 3 and the remaining aspects of Pillar 1 of the risk-based capital regime have not yet been finalised; accordingly, uncertainty remains over the time of implementation, the final form and the potential impact of these remaining aspects on the Group. See "*Risk Factors — Risks Relating to the Group's Industry — Compliance with solvency and capital requirements may force the Group to raise additional capital, change the Group's business strategy or reduce its growth.*"

Macau

China Life Insurance (Overseas) Company Limited, Macau Branch is subject to the regulations by the AMCM. In accordance with paragraph 1 of article 3 of Decree-Law No. 27/97/M, insurance or reinsurance activities may only be carried on by insurers or reinsurers duly authorised to be formed or established in Macau, as the case may be, by Executive Order of the Governor, and after obtaining the opinion of AMCM which shall specify the class(es) of insurance the respective entity may transact.

The Macau Insurance Ordinance, Decree-Law No. 27/97/M, of 30th June, regulates the conditions of access to and the carrying on of insurance and reinsurance activity in Macau, while the legal regime for the exercise of insurance intermediary activity, being Decree-Law No. 38/89/M, of 5th June, regulates insurance intermediary activity.

Insurance companies in Macau are subject to a minimum paid-up share capital requirement. The margin of solvency for a non-life business shall be determined by calculating based on the annual gross premium income recorded during the preceding year, net of returns and cancellations. The margin of solvency in respect of life insurance shall be determined by a set of formulas that consider the amount of the mathematical reserves and the amount of the capital at risk.

Singapore

China Life Singapore is regulated by the MAS as a licensed direct insurer under the Insurance Act 1966, Chapter 142 of Singapore in respect of both life and general insurance business. The MAS regulates and supervises licensed insurers in Singapore. The insurance regulatory framework consists mainly of the Insurance Act 1966 and its related regulations, as well as the relevant notices, guidelines, circulars and practice notes issued by the MAS.

China Life Singapore is required at all times to maintain paid-up ordinary share capital of at least SGD 10 million. Under the Insurance (Valuation and Capital) Regulations 2004, Insurance (Valuation and Capital) (Amendment) Regulations 2020 and MAS Notice 133 Valuation and Capital Framework for Insurers, China Life Singapore is required to meet:

(a) the minimum fund solvency requirement of 100 per cent. of total risk requirement for each adjusted fund; and

(b) the capital adequacy requirement of at least 100 per cent. subject to financial resource must not be lower than a minimum amount of SGD 5 million.

China Life Singapore is required to monitor the capital level regularly to assess whether the prescribed MAS' requirements have been met.

Indonesia

China Life Indonesia conducts life insurance activities based on Law Number 40 Year 2014 concerning Insurance Law of Indonesia ("**Indonesian Insurance Law**") and is under the supervision of OJK. OJK regulates and supervises licensed life and general insurance companies, brokers and its supporting professions in Republic of Indonesia. As the regulator of financial services, OJK will issue regulations, circular letters, notices and guidelines pertaining to the financial services framework, including insurance.

Based on the prevailing laws and regulations on insurance, China Life Indonesia is required to comply with the following requirements:

(a) meet paid-up capital in the amount of at least IDR 150 billion;

(b) maintain equity in the amount of at least IDR 100 billion;

(c) maintain solvency ratio of at least 120%; and

(d) maintain the relevant investment threshold, being an offshore investment threshold of a maximum of 20% and minimum of 30% for government bonds.

In the event China Life Indonesia fails to meet the above requirements, China Life Indonesia shall submit a financial recovery plan to OJK and shall be prohibited from distributing its dividends in any form to its shareholders.

In performing its supervision duties, OJK is assisted by *Asosiasi Asuransi Jiwa Indonesia* (AAJI)/ Indonesia Life Insurance Association through the mandate provided under Indonesian Insurance Law.

Under the prevailing regulation by OJK, China Life Indonesia is required to be a member of Alternative Dispute Resolution Institution for Financial Service Sector/*Lembaga Alternatif Penyelesaian Sengketa Sektor Jasa Keuangan.*

Observing the cases and experiences in the insurance industry in Indonesia, China Life Indonesia is strengthening its market conduct in order to protect the interests of policyholders, the insured and the beneficiaries. Further, in order to strengthen the insurance industry, China Life Indonesia has conducted dialogs, surveys and focus group discussions with the insurance industry and various associations in Indonesia in order to examine the regulatory requirements relating to the following:

(a) paid-up capital;

(b) equity;

(c) insurance product and distribution channels;

(d) policy guarantee institutions; and

(e) credit life products.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the application of the relevant tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Bonds arising under the laws of any other taxing jurisdiction.

PRC

Pursuant to the new EIT law which took effective on 1 January 2008 and as revised on 24 February 2017 and 29 December 2018 and the IIT Law of the PRC, most recently amended on 31 August 2018, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. for non-resident individuals and 10 per cent. for non-resident enterprises. However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the PRC and Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between the PRC and Hong Kong and relevant interpretation of the arrangement formulated by the State Administration of Taxation of the PRC. The Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in Condition 7 of the Terms and Conditions.

Under the new EIT law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the new EIT law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as incomes derived from sources within the PRC. Under the new EIT law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. There remains uncertainty as to whether the gains realised from the transfer of the Bonds would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

No PRC stamp duty will be imposed on non-resident holders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issue and sale of the Bonds is made outside the PRC.

According to Circular 36, the entities and individuals providing the services within PRC are subject to VAT. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. The services potentially subject to VAT include the provision of financial services such as the provision of the loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the Bondholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may subject to withholding VAT at the rate of 6 per cent. In addition, in that case the holders of the Bonds shall also be subject to the local levies at approximately 12 per cent. of the VAT payment.

Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of which involve uncertainties, and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the laws of Hong Kong (the "**Inland Revenue Ordinance**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(iii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person (other than a financial institution) who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted.

The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Gains or profits received by or accrued to a financial institution from the sale, disposal and redemption of the Bonds arising through or from the carrying on by the financial institution of its business in Hong Kong will be subject to profits tax.

On 1 January 2023, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (the "**Amendment Ordinance**") came into operation. Under the Amendment Ordinance, certain foreign-sourced income accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax when it is received in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisors.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "**established**" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States, and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and the Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer entered into a subscription agreement with the Managers dated 8 August 2023 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally, but not jointly, subscribe and pay for the aggregate principal amount of the Bonds set forth opposite their names below:

Manager	Principal amount of the Bonds to be subscribed (U.S.$)
BOCI Asia Limited	400,000,000
China CITIC Bank International Limited	400,000,000
CMB International Capital Limited	400,000,000
Goldman Sachs (Asia) L.L.C.	400,000,000
ABCI Capital Limited	20,000,000
Agricultural Bank of China Limited Hong Kong Branch	20,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	20,000,000
BNP Paribas	20,000,000
CCB International Capital Limited	20,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	20,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	20,000,000
China Securities (International) Corporate Finance Company Limited	20,000,000
CMBC Securities Company Limited	20,000,000
CMB Wing Lung Bank Limited	20,000,000
CNCB (Hong Kong) Capital Limited	20,000,000
GF Securities (Hong Kong) Brokerage Limited	20,000,000
Guotai Junan Securities (Hong Kong) Limited	20,000,000
Haitong International Securities Company Limited	20,000,000
The Hongkong and Shanghai Banking Corporation Limited	20,000,000
Huatai Financial Holdings (Hong Kong) Limited	20,000,000
Industrial and Commercial Bank of China (Asia) Limited	20,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	20,000,000
Mizuho Securities Asia Limited	20,000,000
SPDB International Capital Limited	20,000,000
Total	2,000,000,000

The Subscription Agreement provides that the Issuer will indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their affiliates have, from time to time, performed, and may in the future perform, various Banking Services or Transactions for the Issuer, the Company and/or the subsidiaries of the Company for which they received or will receive customary fees and expenses.

The Managers and their respective affiliates may purchase the Bonds and allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Company, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being "**offered**" should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors — Risks relating to the Bonds — A trading market for the Bonds may not develop*"). The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Company, including the Bonds. Certain of the Managers or their respective affiliates that have a lending relationship with the Issuer and/or the Company routinely hedge their credit exposure to the Issuer and/or the Company consistent with their customary risk-management policies. Typically, the Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Company's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Managers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Company, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any Joint Global Coordinator (or any person acting for it) (the "**Stabilisation Manager**") may, to the extent permitted by applicable laws, regulations, rules and directives, over allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, such Stabilisation Manager or any person acting on behalf of such Stabilisation Manager shall act as a principal and not an agent of the Issuer. However, stabilisation may not necessarily occur. Any stabilisation action if commenced may be discontinued at any time, and must be brought to an end after a limited period. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be beneficially retained, by such Stabilisation Manager or, as the case may be, the Managers in the manner agreed between them.

Selling Restrictions to the Offering

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken by the Issuer or any Manager that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular (in proof or final form) or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer or the Manager, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Manager. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Manager or such affiliate on behalf of the Issuer in such jurisdiction.

THE BONDS ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE BONDS IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. THE SECURITIES ARE COMPLEX FINANCIAL INSTRUMENTS AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS. INVESTING IN THE BONDS INVOLVES CERTAIN RISKS, INCLUDING THE RISK THAT HOLDERS COULD LOSE THEIR ENTIRE INVESTMENT IN THE BONDS. POTENTIAL INVESTORS SHOULD READ THE WHOLE OF THIS OFFERING CIRCULAR. IN PARTICULAR THE "RISK FACTORS" SET OUT ON PAGES 13 TO 35 FOR FURTHER INFORMATION.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition ofsales to EEA Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(ii) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

United Kingdom

Prohibition of sales to UK Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular to any retail investor in the United Kingdom. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

    (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

    (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(ii) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Other regulatory restrictions

Each of the Managers has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Managers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

PRC

Each of the Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each of the Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the MAS. Accordingly, each of the Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Taiwan

Each Manager has represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Bonds to, or for the account or benefit of, any resident of Taiwan except as permitted by the securities laws of Taiwan.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Company or any CMI (including its group companies) and inform the relevant Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: debt.syndicate@bocigroup.com, TMG_Syndicate@cncbinternational.com, projectvanguard@cmbi.com.hk, gs-hk-dcm-omnibus@gs.com, abcic.dcm@abci.com.hk, abchk.dcm@abchina.com, dcm@bankcomm.com.hk, asia_syndicate@bnpparibas.com, project_vanguard@ccbintl.com, DCM@chinastock.com, DCM_HK@csci.hk, dcm@cmbccap.com, bondissuance@cmbwinglungbank.com, GFDCM@gfgroup.com.hk, cmd_dcm@cibhk.com and MizuhoGC_Execution@hk.mizuho-sc.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

GENERAL INFORMATION

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 262131904 and the ISIN for the Bonds is XS2621319040.

Legal Entity Identifier

The legal entity identifier of the Issuer is 254900GB3V5T9KMKQT53.

Listing of the Bonds

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.

Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution of the board of directors of the Company dated 9 March 2023.

Letter from IA

The Issuer has delivered an issuance proposal of the Bonds to the IA and the IA issued a letter dated 18 July 2023, confirming that it has no objection to such proposal, subject to the conditions prescribed in the aforesaid letter.

Available Documents

Copies of the Audited Financial Statements, the Fiscal Agency Agreement relating to the Bonds and the Articles of Association of the Company will be available for inspection from the Issue Date at the Group's principal place of business at 12/F, Tower A, China Life Center, One Harbour Gate, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong and (upon a prior written request from Bondholders and provision of proof of holding and identity (in a form satisfactory to the Fiscal Agent)), at the specified office of the Fiscal Agent at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays), so long as any of the Bonds is outstanding.

Significant or Material Change

There has been no significant or material adverse change in the Group's prospects or financial or trading position since 31 December 2022.

Litigation

The Group is not, and has not, been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the Group's financial position.

Financial Statements

The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in their report appearing elsewhere in this Offering Circular.

INDEX TO FINANCIAL STATEMENTS

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of China Life Insurance (Overseas) Company Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2022.

Principal activities

The principal activity of the Company, through its branches in Hong Kong and Macau and its subsidiaries in Singapore and Indonesia, continues to be engaged in underwriting long-term insurance policies. The principal activities of the Company's subsidiaries comprise investment holding, property investment, trustee service, training service and insurance brokerage service.

Results and dividends

The Group's profit for the year ended 31 December 2022 and the Group's financial position at that date are set out in the consolidated financial statements on pages 10 to 113.

No dividend (2021: Nil) was paid to its immediate holding company, China Life Insurance (Group) Company in 2022.

Directors

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

WU Shaohua	
YU Deben	(resigned on 15 July 2022)
JIANG Tao	
WANG Junhui	
LIU Qing	
LANG Kuan	
XU Shiqing	(Independent director)
MAO Yumin	(Independent director)
GUO Yike	(appointed on 27 May 2022)
ZHANG Shengman	(resigned on 27 May 2022)
LIU Yuejin	(appointed on 24 March 2023)

Directors' interests

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

Directors' interest 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 Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Management contracts

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

Auditor

The financial statements for the year 2022 have been audited by PricewaterhouseCoopers who will retire and offer themselves for re-appointment at the 2023 AGM.

On behalf of the board

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Liu Yuejin
Director

Hong Kong, 28 April 2023

pwc

羅兵咸永道

Independent Auditor's Report

To the Board of Directors of China Life Insurance (Overseas) Company Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Life Insurance (Overseas) Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 10 to 113, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:
- Valuation of insurance contract liabilities
- Valuation of level 3 financial instruments
- Impairment for debt securities

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities Refer to Note 2 Summary of Significant Accounting Policies – Insurance and investment contracts (b)(i) Recognition and measurement - insurance contracts, Note 3(a) Critical accounting estimates and judgements - Estimate of future benefit payments and premiums arising from insurance contracts, and Note 28 Insurance contracts and investment contracts with discretionary participation features ("DPF") liabilities to the consolidated financial statements. The Group had insurance contracts liabilities of HK$271,583 million as at 31 December 2022, representing 62% of the Group's total liabilities. The valuation of insurance contracts liabilities requires the use of appropriate actuarial methodologies, and also various economic and operational assumptions that are subject to a high degree of management's judgement. Therefore, this is identified as a key audit matter in our audit. The key assumptions used in measuring the insurance contract liabilities include, mortality rates, morbidity rates and valuation interest rate.	We understood and evaluated the management's controls and processes of valuation of insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We involved our actuarial experts in performing all of the following audit procedures: • We tested the key controls' operating effectiveness; • We assessed the appropriateness of the valuation methodologies used and, on a sample basis, tested whether they are consistent with the relevant accounting standards and regulatory requirements; • We tested the accuracy and completeness of policy's data input into the actuarial models. • We assessed the reasonableness of the key assumptions used by management including mortality rates, morbidity rates, valuation interest rate; • We evaluated the overall reasonableness of the insurance contract liabilities through trend and movement analysis, analysis of actual experiences against expected results, and analysis of impacts of key assumption

Key Audit Matter	How our audit addressed the Key Audit Matter
	changes that are disclosed in the consolidated financial statement; • We tested the mathematical accuracy of the calculation; and • We reviewed the liability adequacy test performed by management to assess the adequacy of the insurance contracts liabilities. Based on the work performed, we considered the key assumptions and methodologies applied were appropriate for the valuation of insurance contracts liabilities.
Valuation of level 3 financial instruments Refer to Note 2 Summary of Significant Accounting Policies – Investments and other financial assets, Note 4.3 Fair value hierarchy, and Note 19 Financial assets and financial liabilities to the consolidated financial statements. The Group held financial investments measured at fair value and classified as level 3 for fair value measurement purposes. These level 3 investments included unlisted investment funds and unlisted equities which amounted to HK$19,053 million and HK$4,994 million respectively. The total of these level 3 investments represented 5.2% of the Group's total assets as at the balance sheet date. The valuation of level 3 financial instruments is identified as a key audit matter because of the financial significance of the balances and high degree of estimation uncertainty. The inherent risk in relation to valuation of these investments is considered significant given the complexity and high level of management judgements involved. Management adopted valuation	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Group's fair value measurement of level 3 financial assets, including controls over management's review of the valuation techniques, the significant assumptions and the significant unobservable inputs used in the fair value measurements. With the assistance of our valuation experts, we performed the following audit procedures: • Evaluating the appropriateness of the Group's valuation techniques, significant assumptions by referring to industry practices and valuation guidelines; • Testing the significant unobservable inputs used by the Group in determining the fair values and assessing the reasonableness of these inputs by comparing them to information available from third-party sources or market data; Based on the above procedures, we found that the significant estimates and judgements involved in determining the fair value of level 3 financial instruments were supportable by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
methods including market approach and unobservable inputs such as prices of recent transactions, net asset values ("NAV"), price earning multiple of comparative assets in determining their fair values, and external valuers were involved where necessary.	
Impairment for debt securities Refer to Note 2 Summary of Significant Accounting Policies - Impairment of financial assets and Note 19 Financial assets and financial liabilities to the consolidated financial statements. As at 31 December 2022, the debt securities classified as available-for-sale and held-to-maturity amounted to HK$60,525 million and HK$248,511 million respectively. As at 31 December 2022, the impairment allowance on these debt securities amounted to HK$2,000 million. The Group is required to assess whether there is objective evidence that a financial asset or group of financial assets are impaired. When performing the impairment assessment of these debt securities, management considered a variety of information such as credit rating and default history. We focused on this area because of the size of the balances and the high degree of estimation uncertainty which involves significant management judgements.	We performed the following work in relation to impairment for debt securities: • We understood and evaluated the management's controls and process of impairment assessment of the Group's debt securities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. • We tested the key controls' operating effectiveness. • We examined the Group's individual assessment performed by management by corroborating with internally and externally available information about the issuers such as historical repayments and default status, recent news, and credit ratings, to evaluate the issuers' ability to repay and assess whether there is any impairment indicator on a sample basis. For debt securities that were considered to be impaired by management, we also evaluated the appropriateness of the recoverable amount. • We tested the mathematical accuracy of the calculation. Based on the above and evidence obtained, management's assessment of the impairment for the Group's debt securities are considered to be supportable.

Other Matter - Restriction on Use

This report is intended solely for the information and use of the owners in connection with bond offering transaction and should not be used by other parties.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shirley Yeung.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2023

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	For the year ended 31 December 2022 HK$'000	2021 HK$'000
Insurance premium revenue	6	49,151,737	59,673,834
Insurance premium ceded to reinsurers		(12,998,908)	(6,734,301)
Net insurance premium revenue		36,152,829	52,939,533
Net investment income	7	8,288,255	21,271,911
Other income	8	118,931	85,891
		44,560,015	74,297,335
Insurance claims and loss adjustment expenses		(61,207,737)	(92,108,915)
Insurance claims and loss adjustment expenses recovered from reinsurers		133,872	706,800
Decrease in insurance contract liabilities		14,088,137	20,487,107
Increase in reinsurance assets		13,364,392	6,154,384
Net insurance benefits and claims		(33,621,336)	(64,760,624)
Expenses for the acquisition of insurance and investment contracts		(3,660,426)	(4,867,067)
Commissions on reinsurance ceded		123,687	156,244
Other operating expenses	9	(2,000,141)	(1,912,094)
Net expenses		(39,158,216)	(71,383,541)
Results of operating activities		5,401,799	2,913,794
Finance costs	11	(1,999,395)	(2,398,149)
Share of (losses)/profits of associates and joint venture		(55,002)	914,313
Profit before tax		3,347,402	1,429,958
Income tax expense	12	(184,901)	(65,208)
Profit for the year		3,162,501	1,364,750
Attributable to:			
Owners of the parent		3,175,183	1,347,952
Non-controlling interests		(12,682)	16,798
		3,162,501	1,364,750

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	For the year ended 31 December 2022 HK$'000	2021 HK$'000
Profit for the year		3,162,501	1,364,750
Other comprehensive income			
Other comprehensive income that may be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(13,465,190)	(419,335)
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss			
- Net gains on disposal	7	2,880,858	(1,141,672)
- Impairment losses	7	2,568,919	441,300
Income tax effect	27	1,239,332	205,548
		(6,776,081)	(914,159)
Share of other comprehensive income of associates and joint venture		2,202	194,552
Currency translation difference		(363,221)	19,747
Net other comprehensive loss that may be reclassified to the consolidated statement of profit or loss in subsequent periods		(7,137,100)	(699,860)
Other comprehensive income that will not be reclassified to the consolidated statement of profit or loss in subsequent periods:			
(Loss)/gain on property revaluation	13	(245,804)	249,511
Income tax effect	27	38	(470)
		(245,766)	249,041
Re-measurement of defined benefit obligation		-	267
Currency translation difference		(109)	186,704
Net other comprehensive (loss)/income that will not be reclassified to the consolidated statement of profit or loss in subsequent periods		(245,875)	436,012
Other comprehensive loss for the year, net of tax		(7,382,975)	(263,848)
Total comprehensive (loss)/income for the year		(4,220,474)	1,100,902
Attributable to:			
Owners of the parent		(4,125,249)	1,112,399
Non-controlling interests		(95,225)	(11,497)
		(4,220,474)	1,100,902

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Assets			
Property and equipment	13	3,799,445	4,206,286
Investment properties	14	13,688,168	14,744,316
Intangible assets	15	255,859	203,718
Statutory deposit	16	1,500	1,500
Deferred tax assets	27	417,129	24
Investment in associates	17	2,516,190	4,263,104
Investment in joint venture	18	463,278	525,842
Reinsurance assets	28	33,123,300	19,804,319
Debt securities			
- Held-to-maturity	19	248,511,347	263,988,316
- Available-for-sale	19	60,525,343	49,440,697
- At fair value through profit or loss	19	2,855,252	2,428,490
Unit trusts			
- Available-for-sale	19	19,977,956	35,010,216
- At fair value through profit or loss	19	14,276,335	15,481,565
Equity securities			
- Available-for-sale	19	6,115,074	8,277,113
- At fair value through profit or loss	19	3,716,430	5,472,246
Derivatives			
- At fair value through profit or loss	19	297,197	241,553
Loans and receivables	20	7,422,192	7,221,278
Other debtors, prepayments and deposits, unsecured	21	2,490,925	3,286,489
Term deposits	22	17,016,996	10,886,031
Cash and cash equivalents		25,622,462	24,318,506
Total assets		463,092,378	469,801,609

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Liabilities			
Insurance contract and investment contract with DPF liabilities	28	283,054,453	297,103,920
Interest-bearing borrowings	29	4,537,334	6,528,030
Lease liabilities	30	22,524	33,096
Deferred tax liabilities	27	29	924,622
Amounts due to reinsurers	24	22,080,053	13,256,399
Policyholders' funds on deposits	23	54,804,536	66,916,091
Other insurance liabilities	25	45,648,595	40,650,809
Other payables and accrued charges	26	4,839,065	5,402,876
Securities sold under repurchase agreements		24,726,581	11,641,999
Derivatives			
- At fair value through profit or loss	19	5,252	3,764
Current tax liabilities		295,196	40,769
Total liabilities		440,013,618	442,502,375
Net assets		23,078,760	27,299,234

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Equity			
Equity attributable to owners of the parent			
Share capital	31	7,919,828	7,919,828
Other reserves		4,816,046	12,116,478
Retained earnings		10,176,323	7,001,140
		22,912,197	27,037,446
Non-controlling interests		166,563	261,788
Total equity		23,078,760	27,299,234

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 10 to 113 were approved by the Board of Directors on 28 April 2023 and were signed on its behalf:

Liu Yujin	Liu Yujin	Jiang Tao
Chief Executive	Director	Director

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital reserve (Note 1) HK$'000	Translation reserve HK$'000	Defined benefit obligation revaluation reserve HK$'000	Other reserve (Note 2) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	7,919,828	1,722,638	3,787,902	1,546,358	358,311	1,269	4,700,000	7,001,140	27,037,446	261,788	27,299,234
Profit for the year	-	-	-	-	-	-	-	3,175,183	3,175,183	(12,682)	3,162,501
Other comprehensive income for the year:											
Exchange differences on translation of overseas operations	-	-	-	-	(363,221)	(109)	-	-	(363,330)	-	(363,330)
Net changes in available-for-sale financial assets, net of tax	-	-	(6,693,538)	-	-	-	-	-	(6,693,538)	(82,543)	(6,776,081)
Share of changes in equity of associates and the joint venture	-	-	2,202	-	-	-	-	-	2,202	-	2,202
Gains on revaluation of properties, net of tax	-	(245,766)	-	-	-	-	-	-	(245,766)	-	(245,766)
Total comprehensive income for the year	-	(245,766)	(6,691,336)	-	(363,221)	(109)	-	3,175,183	(4,125,249)	(95,225)	(4,220,474)
At 31 December 2022	7,919,828	1,476,872	(2,903,434)	1,546,358	(4,910)	1,160	4,700,000	10,176,323	22,912,197	166,563	23,078,760

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital reserve (Note 1) HK$'000	Translation reserve HK$'000	Defined benefit obligation revaluation reserve HK$'000	Other reserve (Note 2) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	7,919,828	1,473,597	4,479,221	1,546,358	151,860	995	4,700,000	5,653,188	25,925,047	273,285	26,198,332
Profit for the year	-	-	-	-	-	-	-	1,347,952	1,347,952	16,798	1,364,750
Other comprehensive income for the year:											
Exchange differences on translation of overseas operations	-	-	-	-	206,451	-	-	-	206,451	-	206,451
Net changes in available-for-sale financial assets, net of tax	-	-	(885,871)	-	-	-	-	-	(885,871)	(28,288)	(914,159)
Share of changes in equity of associates and the joint venture	-	-	194,552	-	-	-	-	-	194,552	-	194,552
Gains on revaluation of properties, net of tax	-	249,041	-	-	-	-	-	-	249,041	-	249,041
Re-measurement of defined benefit obligation	-	-	-	-	-	274	-	-	274	(7)	267
Total comprehensive income for the year	-	249,041	(691,319)	-	206,451	274	-	1,347,952	1,112,399	(11,497)	1,100,902
At 31 December 2021	7,919,828	1,722,638	3,787,902	1,546,358	358,311	1,269	4,700,000	7,001,140	27,037,446	261,788	27,299,234

Note:

1 Capital reserve of HK$1,546,358 thousand (2021: reserve of HK$1,546,358 thousand) represents non-cash equity contributions received in prior years.
2 Other reserve represents the capital reserve which was fully paid up but issue of shares was in progress as regulated by PRC Law.

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Net cash flows used in operating activities	33	(26,701,517)	(31,542,774)
Cash flows from investing activities			
Dividend and distribution received		2,631,880	3,776,009
Interest received		14,960,130	14,663,923
Purchase of items of property, equipment and software	13, 15	(112,927)	(126,126)
Purchase of investment property	14	-	(9,071)
Purchase of financial assets		(66,770,565)	(31,774,025)
Proceeds from disposal of items of property, equipment and software	13, 15	66	20,611
Proceeds from disposal of investment properties	14	31,310	622,529
Proceeds from disposal and redemption of financial assets		73,324,058	48,904,429
(Increase)/decrease in term deposits, net		(6,130,965)	1,945,194
Capital contribution to associates and joint venture		(243,895)	(34,227)
Proceeds from disposal of associates		-	355,371
Net cash flows generated from investing activities		17,689,092	38,344,617
Cash flows from financing activities			
Interest paid		(619,394)	(2,398,051)
Payment of lease liabilities		(25,155)	(9,607)
Repayment of bond		(1,966,336)	-
Increase in securities sold under agreements to repurchase, net		13,083,247	-
Net cash flows generated from/(used in) financing activities		10,472,362	(2,407,658)
Net increase in cash and cash equivalents		1,459,937	4,394,185
Cash and cash equivalents at beginning of year		24,318,506	19,975,450
Effect of foreign exchange rate changes, net		(155,981)	(51,129)
Cash and cash equivalents at end of year		25,622,462	24,318,506

1 Corporate and group information

China Life Insurance (Overseas) Company Limited (the "Company") is incorporated in The People's Republic of China. The Company is a wholly-owned subsidiary of China Life Insurance (Group) Company, a company incorporated in The People's Republic of China. The address of the principal place of business of the Company is 12/F, China Life Centre, Tower A, One HarbourGate, No. 18 Hung Luen Road, Kowloon, Hong Kong. The registered address of the Company is 30AH, Block A, World Finance Center, No. 4003 Shennan East Road, Luohu District, Shenzhen, Guangdong 518001, China.

The Company, through its branches in Hong Kong and Macau and its subsidiaries in Singapore and Indonesia, continues to be engaged in underwriting long-term insurance policies.

Information about subsidiaries and consolidated structured entities (together with the Company referred to as the "Group") are set out as follows:

Name of company	Place of incorporation	Percentage of equity attributable to the Group		Principal activities
		Direct	Indirect	
China Life (Overseas) Asset Management Company Limited	Hong Kong	100%	-	Investment holding
China Life Consulting Company Limited	Hong Kong	100%	-	Provision of consultancy services
China Life Trustees Limited	Hong Kong	80%	20%	Provision of trustee services
Daily Gain Company Limited	Hong Kong	100%	-	Property investment
Konco Limited	Hong Kong	100%	-	Investment holding
China Life Insurance (Overseas) Ecommerce Company Limited	Hong Kong	100%	-	Inactive
Sunnoon Development Limited	Hong Kong	100%	-	Property investment
CLT-China Life Overseas Absolute Return Trust Fund	Hong Kong	99.74%	-	Mutual fund
CLCAG Limited	Cayman Islands	100%	-	Investment holding
China Life Insurance (Singapore) Pte. Ltd.	Singapore	100%	-	Underwriting long term insurance policies
China Life International Financial Academy Limited	Hong Kong	100%	-	Provision of training services
PT China Life Insurance Indonesia	Indonesia	80%	-	Underwriting long term insurance policies

1 Corporate and group information (Continued)

Name of company	Place of incorporation	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
ETCL Venture, LP	U.S.	94.61%	-	Real estate
China Life Frontier Private Investment Fund, L.P.	Cayman Islands	99.74%	-	Investment holding
Hall Nine Capital	Cayman Islands	100%	-	Investment holding
SinoRock High Dividend Yield Investment Limited Partnership	Cayman Islands	100%	-	Investment holding
Bosera Global Select Funds SPC	Cayman Islands	100%	-	Debt securities fund
Credit Focus Bond Fund	Cayman Islands	100%	-	Debt securities fund
Pinebridge Asian Enhanced Income Fund	Cayman Islands	100%	-	Debt securities fund
ChinaAMC CL Fixed Income Segregated Portfolio	Cayman Islands	100%	-	Debt securities fund
NH CL Buy and Hold Strategy LP	Cayman Islands	100%	-	Debt securities fund
CL Buy and Maintain Fixed Income LP	Cayman Islands	100%	-	Debt securities fund
BNP Paribas Global Diversified Credits	Luxembourg	100%	-	Debt securities fund
Invesco Cayman Fixed Maturity Limited	Cayman Islands	100%	-	Debt securities fund
ChinaAMC CL High Grade Income SP Fund	Cayman Islands	100%	-	Debt securities fund
Amundi SIF – USD Credit Total Return Fund IU D	Luxembourg	100%	-	Debt securities fund
GAS (Cayman) High Grade Income Fund	Cayman Islands	100%	-	Debt securities fund

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements 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 interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, as modified by the: (i) revaluation of available-for-sale financial assets, (ii) revaluation of financial assets and financial liabilities at fair value through profit or loss, (iii) revaluation of investment properties and land and buildings, and (iv) valuation of insurance contract and investment contracts with DPF liabilities.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

The Group had net cash used in operations of HK$26,701,517 thousand for the year ended 31 December 2022. As at 31 December 2022, the Group's net current liabilities amounted to HK$23,395,175 thousand. As disclosed in note 4.2(c) on liquidity risk, the Group expects contractual cash inflows of HK$98,207,628 thousand from matured assets that can be recovered on demand and within one year, while it expects cash outflows of HK$121,602,803 thousand from liabilities that is repayable on demand and due within one year.

To assess the Group's ability to continue as a going concern, management has prepared cash flow projections for a period of at least 12 months from 31 December 2022. These projections include expected cash flows from the Group's operations and have considered the possible stress scenarios in operations and availability of the Group's borrowing facilities, including debt issuance. Additionally, management has compared the Group's liquid assets as of 31 December 2022, to its net current liabilities to assess the Group's liquidity.

Based on above, management is of the opinion that the Group will have sufficient financial resources to fulfill its working capital requirements and meet its financial obligations for the next 12 months from 31 December 2022. Therefore, the management considers that it is appropriate to prepare the Group's financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. 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).

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

When the Company 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 arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the consolidated statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

2.2.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2022

Standards/Amendments	Content	Effective for annual periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020	Annual Improvements to HKFRS 9, HKFRS 16, HKFRS 1, HKAS 41	1 January 2022
Amendments to AG 5	Merger Accounting for Common Control Combinations	1 January 2022

Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16

The amendment to HKAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The amendments did not have significant impact on the financial position and performance of the Group as the Group does not have significant amount of additional property and equipment for the year ended 31 December 2022.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2022 (Continued)

Reference to the Conceptual Framework – Amendments to HKFRS 3

Minor amendments were made to HKFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The amendments are effective for annual periods beginning on or after 1 January 2022 and did not have significant impact on the financial position and performance of the Group.

Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37

The amendment to HKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments are effective for annual periods beginning on or after 1 January 2022 and did not have significant impact on the financial position and performance of the Group.

Annual Improvements to HKFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- HKFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- HKFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- HKFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same HKFRS 1 exemption.
- HKAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under HKAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The improvements are effective for annual periods beginning on or after 1 January 2022 and did not have significant impact on the financial position and performance of the Group.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2022 (Continued)

Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)

To respond to the feedback received from the post-implementation review of AG 5, AG 5 has been revised to reflect the following amendments:

- Clearer rationale for why the transaction described in paragraph 5 of AG 5 is not a business combination and why, in practice, a principle similar to that for a reverse acquisition is applied to those transactions is provided.
- New disclosure requirements for common control combinations are added to paragraph 19 of AG 5.
- The accounting for change in non-controlling interests as a result of common control combination is clarified in the example in AG 5.

The terminologies and references in AG 5 are updated to align with existing HKFRSs.

The improvements are effective for annual periods beginning on or after 1 January 2022 and did not have significant impact on the financial position and performance of the Group as no common control occurred for the year ended 31 December 2022.

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2022 but temporary exemption is applied by the Group

Standards/Amendments	Content	Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018

HKFRS 9 – Financial Instruments

The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Based on the current assessment, the Group expects that the adoption of HKFRS 9 will have a significant impact on the consolidated financial statements. The Group has adopted the temporary exemption permitted in the Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ("HKFRS 4 Amendment") to apply HKAS 39 rather than HKFRS 9, until the effective date of HKFRS 17.

Classification and measurement

HKFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business models ("hold to collect contractual cash flows", "hold to collect contractual cash flows and sell financial assets" or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss, based on their respective business models. The Group analysed the contractual cash flow characteristics of financial assets as at 31 December 2022 to assess the impact of adoption of HKFRS 9.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2022 but temporary exemption is applied by the Group (Continued)

HKFRS 9 – Financial Instruments (Continued)

Classification and measurement (Continued)

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealised gains and losses on equity instruments currently classified as available-for-sale securities being recorded in profit or loss going forward. Currently, these unrealised gains and losses are recognised in other comprehensive income ("OCI"). If the Group elects to record equity investments at FVOCI, gains and losses would be recognised in retained earnings when the instruments are disposed, except for the received dividends which do not represent a recovery of part of the investment cost.

Impairment

HKFRS 9 replaces the "incurred loss" model with the "expected credit loss" model which is designed to include forward-looking information. The Group is in the process of developing and testing the key models required under HKFRS 9 and analysing the impact on the expected loss provision; the Group believes that the provision for debt instruments of the Group under the "expected credit loss" model would be larger than that under the previous "incurred loss" model.

Temporary exemption from HKFRS 9

According to HKFRS 4 Amendments, the Group made the assessment based on the Group's financial position of 31 December 2015, concluding that the carrying amount of the Group's liabilities arising from contracts within the scope of HKFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts, was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance (including insurance contract and investment contract with DPF liabilities, policyholders' funds on deposit, amounts due to reinsurers, and other insurance liabilities) relative to the total carrying amount of all its liabilities was greater than 90 percent. There had been no significant change in the activities of the Group since then that requires reassessment. Therefore, the Group's activities have been predominantly connected with insurance, meeting the criteria to apply temporary exemption from HKFRS 9.

For the following disclosures, the Group's financial assets are separated into the following two groups:

(i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with HKFRS 9 and are not held for trading or managed on fair value basis, which consist of loans and receivables, other debtors and deposits, debt securities measured at amortised cost, debt securities measured at fair value through other comprehensive income, and cash and bank deposits, and

(ii) financial assets other than those specified in (i), which consist of derivative assets, debt securities measured at fair value through profit or loss, debt securities that cannot pass the SPPI test, unit trust and equity securities.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2022 but temporary exemption is applied by the Group (Continued)

Temporary exemption from HKFRS 9 (Continued)

The following table shows the fair value and change in fair value of these two groups of financial assets.

	As at 31 December 2022 Fair value HK$'000	For the year ended 31 December 2022 Change in Fair value HK$'000
Financial assets that met SPPI criteria and not held for trading or managed on fair value basis	257,072,949	(40,873,937)
Others	127,826,047	(8,991,911)
Total	384,898,996	(49,865,848)

	As at 31 December 2021 Fair value HK$'000	For the year ended 31 December 2021 Change in Fair value HK$'000
Financial assets that met SPPI criteria and not held for trading or managed on fair value basis	254,835,521	(4,346,573)
Others	135,915,319	5,320,115
Total	390,750,840	973,542

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2022 but temporary exemption is applied by the Group (Continued)

Temporary exemption from HKFRS 9 (Continued)

The following table sets out the credit quality analysis for financial assets that meet the SPPI criteria and are not held for trading or managed on fair value basis, except cash and bank deposits, using Standard & Poor's (S&P), Moody's and Fitch's rating. The amounts presented represent carrying amounts determined in accordance with HKAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Rating not required[i]	3,151,804	2,663,278
AAA	1,232,882	2,050,398
AA+ to AA-	8,159,566	10,853,031
A+ to A-	60,158,861	78,807,427
Below A-	103,040,938	77,472,158
Not rated	10,034,722	31,798,156
Total	185,778,773	203,644,448

(i) Mainly including government bonds and policy financial bonds.

Note: As at 31 December 2022, the carrying amount (before adjusting for any impairment allowances) under HKAS 39 and fair value for those SPPI assets which the Group has determined do not have a low credit risk were HK$9,309,135 thousand (2021: HK$3,668,136 thousand) and HK$6,382,726 thousand (2021: HK$1,922,020 thousand) respectively.

Financial assets are considered to have low credit risk if:

- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Upon the adoption of HKFRS 9 since 1 January 2023, the Group anticipate the total net assets would decrease. The Group is continuously improving the model and assumption to optimize the outcome.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2022

Standards/Amendments	Content	Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as a Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory date yet determined
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	Applied when an entity applies "Classification of Liabilities as Current or Non-current – Amendments to HKAS 1"

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 17 Insurance Contracts

HKFRS 17 was issued as replacement for HKFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2021 (Continued)

HKFRS 17 Insurance Contracts (Continued)

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying HKFRS 17 to investors and others. The amendments also deferred the application date of HKFRS 17 to 1 January 2023.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of HKFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of HKFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of HKFRS 9. The classification can be applied on an instrument-by-instrument basis.

Classification of Liabilities as Current or Non-current – Amendments to HKAS 1

The narrow-scope amendments to HKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what HKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are not expected to have any significant impact on the Group's financial statements.

Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The HKICPA amended HKAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the HKICPA also amended HKFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023 and are not expected to have any significant impact on the Group's financial statements.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2022 (Continued)

Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2 (Continued)

The amendment to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendments are effective for annual periods beginning on or after 1 January 2023 and are not expected to have any significant impact on the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 and are not expected to have any significant impact on the Group's financial statements.

2 Summary of significant accounting policies (Continued)

2.3 Investment in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2 Summary of significant accounting policies (Continued)

2.4 Segment reporting

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the operating decision maker - president office for deciding how to allocate resources and for assessing performance.

Operating segment refers to the segment within the Group that satisfies the following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluates the operating results of the segment to make resource allocation decision and to evaluate the business performance; and iii) the Group can obtain relevant financial information of the segment, including financial condition, operating results, cash flows and other financial performance indicators.

2.5 Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2 Summary of significant accounting policies (Continued)

2.5 Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.6 Foreign currency translation

(a) Functional currency

Items included in the financial statements of each of the Group's entities 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 HKD, which is the functional currency of the Hong Kong branch of the Company through which a substantial proportion of the Group's business has been carried out.

(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 valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities, except for below, denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in equity unless the asset is credit impaired.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the investment revaluation reserve in equity.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than Hong Kong dollar are translated into the Hong Kong dollars as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in overseas operations, and of borrowings are taken to shareholders' equity. When an overseas operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale. Overseas operations are operations carried out outside Hong Kong and Macau.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies (Continued)

2.7 Property and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. On disposal of a revealed asset, the relevant portion of the "other reserves" realised in respect of previous valuations is transferred to "retained earnings" as a movement in reserves.

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 carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the consolidated statement of profit or loss.

Depreciation on property and equipment are calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Owned assets:

Buildings	50 - 60 years
Leasehold improvements	12.5% - 33.3%
Computer equipment	25%
Office machinery and furniture	20%
Motor vehicles	20%

Right-of-use assets:

Properties	Over the shorter of the lease term and 50 years
Leasehold Land	Over the lease term

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 and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2 Summary of significant accounting policies (Continued)

2.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation on intangible assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Computer software	12.5% - 33%

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.9 Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values determined annually by external independent valuer. Gains or losses arising from changes in the fair value of investment property are included in the consolidated statement of profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with note 2.7 up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with note 2.7.

2 Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.11 Investments and other financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

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 initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss.

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified into the "financial assets held for trading" category, at inception if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the consolidated statement of profit or loss in the period in which they arise.

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables financial assets are carried at amortised cost using the effective interest method.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Group's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss as net realised gains or impairment losses on financial assets.

Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the consolidated statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive payments is established. Both are included in the investment income line.

2 Summary of significant accounting policies (Continued)

2.12 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

(b) Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost 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 finance costs in the consolidated statement of profit or loss.

2.13 Derecognition of financial liabilities

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

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

2 Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in payments;

(iii) It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

(iv) The disappearance of an active market for that financial asset because of financial difficulties; or

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

- adverse changes in the payment status of issuers or debtors in the Group; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2 Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

(a) Financial assets carried at amortised cost (Continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of profit or loss.

(b) Financial assets carried at fair value

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increase in their fair value after impairment are recognised directly in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

(b) Financial assets carried at fair value (Continued)

The determination of what is "significant" or "prolonged" requires judgement. In evaluating whether a decline in value is impairment for equity securities, the Group also considers the extent or the duration of the decline. The quantitative factors include the following:

(i) the market price of the equity securities was more than 50% below their cost at the reporting date;

(ii) the market price of the equity securities was more than 20% below their cost for a period of at least six months at the reporting date; and

(iii) the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of profit or loss. Impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

2.15 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Summary of significant accounting policies (Continued)

2.18 Insurance and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and 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:

- the performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
- the profit or loss of the Group, fund or other entity that issues the contract.

(b) Recognition and measurement

Insurance contracts and investment contracts of the Group are classified into the following categories. The measurement and recognition policy are set out below:

(i) Insurance contracts

Premiums are recognised as revenue when they become payable by the policyholders. The Group follows the Hong Kong, Macau, Singapore and Indonesia regulatory requirements to measure its insurance contract liabilities. The liabilities arising from insurance contracts are calculated using an adjusted net level premium reserve method based on current assumptions on mortality rates, morbidity rates, discount rates, expense assumptions, and investment return including a margin for adverse deviation. The liability at individual policy level is subject to a minimum of surrender value.

(ii) Investment contracts with DPF

Premiums are recognised as revenue when they become payable by the policyholders. Investment contracts with DPF that are Class G business include a discretionary dividend element in the determination of the credit rate to policyholders' accounts. The liability for these contracts is determined using a retrospective calculation method.

2 Summary of significant accounting policies (Continued)

2.18 Insurance and investment contracts (Continued)

(b) Recognition and measurement (Continued)

(ii) Investment contracts with DPF (Continued)

Under this method, the liability represents an account balance based on the premiums received to date plus interest or bonus credited to the policyholders less deduction for insurance benefits and policy charges, such as insurance administration and surrenders.

(iii) Investment contracts without DPF

Investment contracts without DPF are not considered to be insurance contracts and are accounted for as financial liabilities.

The financial liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract. Subsequent measurement of the financial liability is carried at amortised costs using the effective interest rate method.

(c) Liability adequacy test

At the end of each reporting period, an assessment is made to determine whether the recognised liabilities for insurance contracts and investment contracts with DPF are adequate. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of profit or loss by establishing a provision for losses arising from the liability adequacy test.

(d) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more underlying contracts issued by the Group and that meet the definition of an insurance contract are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts in Note 2.18(b)(i).

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Amount due to reinsurers are primarily reinsurance deposits and premiums payable for reinsurance contracts held and are recognised as an expense when due.

The Group assesses whether the reinsurance contracts contain a deposit component and whether all obligations and rights arising from the deposit component has been recognised. To the extent that the obligations and rights from the deposit components have not been recognised, and that the deposit component can be measured separately, the deposit component would be unbundled and would be accounted for under HKAS 39.

2 Summary of significant accounting policies (Continued)

2.18 Insurance and investment contracts (Continued)

(d) Reinsurance contracts held (Continued)

The Group assesses its reinsurance assets for impairment and if there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated following a method similar to the one used for these financial assets as disclosed in Note 2.14(a).

(e) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from brokers and insurance contract holders. Interest is accrued based on contractual terms on the payables that are interest-bearing.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated following a method similar to the one used for the loans and receivables as disclosed in Note 2.15(a).

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are offset if and only if the Group has a legally enforceable right to set off current income tax assets and current income tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2 Summary of significant accounting policies (Continued)

2.20 Employee benefits - Pension obligations

Retirement benefits schemes - Defined Contribution Plans

The Group pays contributions to privately administered defined contribution pension insurance plans. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay an employee the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the Amendment Ordinance) in June 2022. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions to a Mandatory Provident Fund (MPF) to offset severance payment (SP) and long service payment (LSP) (the offsetting mechanism; the abolition of the offsetting mechanism is referred to as the Abolition). The transition date is expected to be a date in 2025. The Branch has evaluated the amendment and expected the impact is not material.

2.21 Other revenue or income

Revenue from contracts with customers under HKFRS 15

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Provision of trustee services

Revenue from the provision of trustee services is recognised over time, as the customer simultaneously receives and consumes the benefits of the services.

(b) Insurance brokerage business

Commission from insurance brokerage is recognised as revenue at the point in time when the underlying insurance policies become effective.

2 Summary of significant accounting policies (Continued)

2.21 Other revenue or income (Continued)

Revenue from other sources

Rental income on operating leases is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the holders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.22 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Leasehold land is shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Other right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with note 2.7.

2 Summary of significant accounting policies (Continued)

2.22 Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in net investment income in the consolidated statement of profit or loss due to its investment nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. The Group does not have leases classified as finance leases.

2 Summary of significant accounting policies (Continued)

2.23 Dividends

Dividend distribution to the Company's shareholder 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 directors.

2.24 Unconsolidated structured entities

Structured entities are those that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Voting rights relate to administrative tasks. Relevant activities are directed by means of contractual arrangements.

The Group considers the voting rights and other similar rights afforded to other parties in these funds (investors, independent board of directors, or trustees), including the rights to remove the Group or its group entities as fund manager, liquidate the funds, or redeem holdings in the funds (if such rights are equivalent to liquidating the fund) and concludes as to whether these rights are the dominant factor in deciding who controls the fund.

2.25 Fair value measurement

The Group measures its land and building, investment properties, debt securities at fair value through profit or loss, debt securities available-for-sale, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 Summary of significant accounting policies (Continued)

2.26 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.27 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.28 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 Summary of significant accounting policies (Continued)

2.29 Contingent liability

A contingent liability is disclosed in respect of possible future payments. To the end of the reporting period, no provision has been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

3 Critical accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Product classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Group exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Group to pay significant additional benefits to its customers. In the event the Group has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs.

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

The determination of the liabilities under insurance contracts is dependent on estimates made by the Group, in particular with regard to mortality, morbidity and investment returns. The Group bases these estimates on past experience adjusted for new trends, current market conditions and future expectations. As such the liabilities for future benefit payments and premiums arising from insurance contracts may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths and the rates of diagnosis of critical illnesses determine the value of the benefit payments and the value of the valuation premiums. The Group bases its mortality estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience, and morbidity estimates are derived from reinsurer information. The main source of uncertainty is that epidemics such as AIDS, SARS, Covid 19 and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality and morbidity being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality and morbidity 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.
- Estimates are also made as to future investment income arising from the assets backing insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

3 Critical accounting estimates and judgements (Continued)

(c) Impairment of debt securities

For impairment of debt securities financial assets, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that objective evidence of impairment does not exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The management exercised significant judgements on the credit risk assessment as well as both the timing of recognition of impairment and the estimation of the size of any such impairment

(d) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Group has a positive intention and ability to hold the assets to maturity as held-to-maturity investments. In making this judgement, the Group evaluates its intention and ability to hold such investments until maturity. If the Group fails to hold these investments to maturity other than for certain specific circumstances, the Group would have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale investments, as such portfolio of investments would be deemed to have been tainted. This would result in the held-to-maturity investments being measured at fair value instead of at amortised cost.

(e) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation technique. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions (see Note 4.3).

(f) Fair value of land and buildings and investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(i) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs (see Notes 13 and 14).

3 Critical accounting estimates and judgements (Continued)

(g) Income tax

The Group is subject to income tax in numerous jurisdictions. During the normal course of business, certain transactions and activities for which the ultimate tax determination is uncertain, the Group needs to exercise significant judgement when determining the income tax. If the final settlement results of the tax matters are different from the amounts recorded, these differences will impact the final income tax expense and deferred tax for the period.

(h) Determination of control over investee

The Group applies its judgement to determine whether the control indicators indicate that the Group controls structured entities such as funds. The Group issues certain structured entities (e.g., funds), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity. As at 31 December 2022, the Group has consolidated some funds issued and managed by the Company's subsidiary.

4 Management of insurance and financial risk

The Group issues contracts that transfer insurance risk and financial risk. This section summarises these risks and the way the Group manages them.

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

4 Management of insurance and financial risk (Continued)

4.1 Insurance risk (Continued)

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by the following major factors:

- For contracts where death or diagnosis of critical illness are the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.
- For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.
- For contracts where survival is the insured risk, the most significant factor is unexpected improvement in medical science and social conditions that would increase longevity.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipt

Uncertainty in the estimation of future benefit payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Group currently does not have sufficient and credible claim experience to produce a credible mortality and morbidity studies; hence, the best estimate of future mortality and diagnosis of critical illness are based on standard industry tables and/or reinsurer information, adjusted where appropriate to reflect the Group's own experience.

(c) Risk management for mitigating insurance risk

The Group manages the above risks through its underwriting strategy, proactive claims handling and revision of insurance risk charges.

- The underwriting strategy is intended to ensure that the risks are well understood and appropriate pricing is performed. The considerations of personal history, family history and lifestyle of the applicants are included in the Group's underwriting procedures. To reflect the health condition, family medical history and the lifestyle of the applicants, additional premium is charged for substandard life insurance risks, or the extra hazards (e.g., aviation) are excluded.
- The Group charges for mortality for unit linked policies. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.
- The risk of excessive mortality is mitigated through reinsurance arrangements.

4 Management of insurance and financial risk (Continued)

4.1 Insurance risk (Continued)

(d) Concentration of insurance risk

The table below presents the Group's major region of insurance contracts:

	2022		2021	
	HK$'000	%	HK$'000	%
Insurance premium revenue				
Hong Kong	39,518,926	80.4%	46,987,068	78.7%
Macau	9,026,936	18.4%	12,134,492	20.3%
Singapore	586,950	1.2%	531,230	0.9%
Indonesia	18,925	0.0%	23,556	0.1%
Elimination	-	0.0%	(2,512)	0.0%
Total	49,151,737	100.0%	59,673,834	100.0%
Insurance claims and loss adjustment expenses				
Hong Kong	60,131,927	98.2%	75,794,033	82.3%
Macau	598,197	1.0%	15,726,474	17.1%
Singapore	476,934	0.8%	589,149	0.6%
Indonesia	679	0.0%	455	0.0%
Elimination	-	0.0%	(1,196)	0.0%
Total	61,207,737	100.0%	92,108,915	100.0%
Insurance contract and investment contract with DPF liabilities				
Hong Kong	217,985,993	77.0%	241,068,206	81.2%
Macau	62,804,123	22.2%	53,898,903	18.1%
Singapore	2,191,494	0.8%	2,098,327	0.7%
Indonesia	72,843	0.0%	63,675	0.0%
Elimination	-	0.0%	(25,191)	0.0%
Total	283,054,453	100.0%	297,103,920	100.0%

4 Management of insurance and financial risk (Continued)

4.2 Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important financial risks are market risk, credit risk and liquidity risk. Market risks include interest rate risk, currency risk and other price risk.

(a) Market risk

(i) Interest-rate risk

The Group has certain in-force insurance contracts that have benefit payments that are fixed and guaranteed at the inception of the contract. The Group's primary financial risk on these contracts is the risk that investment income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The Group also has certain in force investment contracts with DPF. For these contracts, the Group only bears financial risk in relation to the guaranteed benefits payable. The Group does not bear interest rate risk in relation to the discretionary benefit component as the level of discretionary benefit can be altered by the Group.

The Group manages this risk by monitoring and adjusting the composition of its debt securities portfolio, including the duration of the securities, the investment yields, and the percentage investment in fixed and variable interest instruments.

The sensitivity analysis below illustrates the impact of a change of interest rate to the profit before tax and equity of the Group, mainly as a result of higher or lower interest income on floating rate cash and cash equivalents and term deposits, the fair value losses or gains on debt securities assets at fair value through profit or loss and the fair value losses or gains on debt securities assets available-for-sale.

	Financial impact			
	Profit before tax 2022 HK$'000	Equity before tax 2022 HK$'000	Profit before tax 2021 HK$'000	Equity before tax 2021 HK$'000
Interest rate + 0.5%	1,361,779	(39,600)	934,971	(712,549)
Interest rate - 0.5%	(1,645,016)	(135,635)	(1,295,775)	475,929

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(a) Market risk (Continued)

(ii) Currency risk

The investment portfolios supporting the Group's insurance and investment contracts are mainly denominated in US dollar and Hong Kong dollar, whereas the liabilities arising from insurance and investment contracts are mainly denominated in Hong Kong dollar. The two currencies are currently pegged. The Group considers there is no significant transactional currency exposures. The Group consider that the currency risk in Singapore and Indonesia is not significant.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities and unit trust. The management manages this exposure by maintaining a portfolio of investments with different risk profile, and by investing only a certain percentage of assets in equity securities and unit trust.

A 10% increase in the prices of the investments would result in the increase in profit before tax of HK$1,799 million (2021: HK$1,971 million) and in equity before tax of HK$4,409 million (2021: HK$6,424 million) respectively.

(b) Credit risk

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

- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance policyholders,
- amounts due from insurance intermediaries, and
- counterparty risk with respect to debt instruments and derivative assets.

The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to regular reviews. Limits on the level of credit risk by category are reviewed and approved regularly by management.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(b) Credit risk (Continued)

The Group insisted on a prudent investment philosophy and carried out comprehensive risk management to prevent various investment risks. Based on a disciplined and scientific internal rating system and a multi-dimensional management mechanism of risk limits, the Group scrutinized credit profiles of targets and risk exposure concentration before investment in a prudent manner and carried out ongoing tracking after investment, effectively managing the credit risks through early identification, early warning, and early disposal.

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 a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis.

Policy loans and most of premium receivables are collateralised by their policies' cash value according to the terms and conditions of policy loan contracts and policy contracts, respectively.

The maximum credit risk for financial assets recognised on the consolidated statement of financial position is the carrying amount less, where applicable, any provision for doubtful debts.

Except held-to-maturity debt securities and other debtors, prepayments and deposits, unsecured, the financial assets below are neither past due nor impaired.

	2022 HK$'000	2021 HK$'000
Debt securities		
- Held-to-maturity		
Past due	2,000,000	2,000,000
-Impaired	(2,000,000)	(1,898,022)
Neither past due nor impaired	248,511,347	263,886,338
- Available-for-sale	60,525,343	49,440,697
- At fair value through profit or loss	2,855,252	2,428,490
Loans and receivables		
- Neither past due nor impaired	7,422,192	7,221,278
- Past due within 90 days but not impaired	-	-
Reinsurance assets	33,123,300	19,804,319
Derivative		
- At fair value through profit or loss	297,197	241,553
Other debtors, prepayments and deposits, unsecured		
Past due	3,884,572	3,884,572
-Impaired	(3,884,572)	(3,884,572)
Neither past due nor impaired	2,490,925	3,286,489
Cash and bank deposits*	42,639,458	35,204,537
At 31 December	397,865,014	381,615,679

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(b) Credit risk (Continued)

The financial assets above, except for cash and bank deposits, are analysed in the table below using Standard & Poor's (S&P), Moody's and Fitch's rating.

	2022 HK$'000	2021 HK$'000
AAA	7,816,611	1,646,289
AA+ to AA-	20,464,449	8,894,414
A+ to A-	100,882,771	88,032,381
BBB+ to BBB-	150,423,504	170,335,639
Below BBB-	12,897,539	21,670,888
Not rated	62,740,682	55,831,531
At 31 December	355,225,556	346,411,142

* Cash and bank deposits (including cash and cash equivalents and term deposits) represented amounts from creditworthy banks.

(c) Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from claims arising from benefit payments (i.e., maturity, claims and surrender benefits). Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. In order to manage this risk, management sets limits on each type of invested assets so that adequate liquid assets are in place to cover maturities, claims and surrenders at unexpected levels of demand. The Group regularly reviews the level of each type of invested assets as well as expected future cash flows.

The Group manages the liquidity risk by monitoring the contractual cash inflows from the assets and expected cash outflows from insurance liabilities for the next five years. The maturity analysis presented in the tables below represents the estimated maturity. The estimated maturity for insurance contracts is proportionate to their carrying values based on projections of estimated cash flows. A maturity based on the earliest contractual repayment date would present the insurance contract and investment contract liabilities as falling due in the "less than 1 year" period in the table.

The amounts in the tables below for insurance and investment contracts in each column are the undiscounted cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflows from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, the lapse rate, the loss ratio of short-term insurance contracts, expense and other assumptions. Actual experience may differ from estimates.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Repayable on demand HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Not stated maturity HK$'000	Total HK$'000
As at 31 December 2022									
Assets									
Reinsurance assets	-	13,523,992	8,659	1,799,270	14,441,973	1,533,786	6,238,888	-	37,546,568
Debt securities									
- Held-to-maturity	-	18,970,618	16,725,860	24,703,922	30,187,278	21,478,993	288,590,928	-	400,657,599
- Available-for-sale	-	20,311,586	8,239,564	7,605,313	3,327,628	4,233,328	46,222,533	-	89,939,952
- At fair value through profit or loss	-	704,075	73,093	833,359	131,240	117,636	723,383	-	2,582,786
Unit trusts									
- Available-for-sale	-	-	-	-	-	-	-	19,977,956	19,977,956
- At fair value through profit or loss	-	-	-	-	-	-	-	14,276,335	14,276,335
Equity securities									
- Available-for-sale	-	-	-	-	-	-	-	6,115,074	6,115,074
- At fair value through profit or loss	-	-	-	-	-	-	-	3,716,430	3,716,430
Derivatives									
- At fair value through profit or loss	-	118,805	-	178,392	-	-	-	-	297,197
Loans and receivables	4,026,683	-	1,258,275	673,450	-	-	-	1,551,089	7,509,497
Other debtors, prepayments and deposits	1,179,204	-	-	-	-	-	-	-	1,179,204
Term deposits	-	13,750,203	358,202	1,074,055	2,142,388	417,146	-	-	17,741,994
Cash and bank deposits	25,622,462	-	-	-	-	-	-	-	25,622,462
Total	30,828,349	67,379,279	26,663,653	36,867,761	50,230,507	27,780,889	341,775,732	45,636,884	627,163,054

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Repayable on demand HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Not stated maturity HK$'000	Total HK$'000
As at 31 December 2022									
Liabilities									
Insurance contracts and investment contract with DPF liabilities	-	22,377,687	36,037,043	32,892,370	46,780,623	33,332,383	298,882,236	-	470,302,342
Interest-bearing borrowings	-	209,241	4,618,807	709	699	687	-	-	4,830,143
Lease liabilities	-	14,874	5,448	2,481	-	-	-	-	22,803
Amounts due to reinsurers	-	14,526,397	-	-	6,959,964	-	593,692	-	22,080,053
Policyholders' funds on deposits	4,925,539	4,329,572	5,379,296	21,918,038	13,859,043	276,794	4,116,254	-	54,804,536
Other insurance liabilities	45,648,595	-	-	-	-	-	-	-	45,648,595
Other payables and accrued charges	4,839,065	-	-	-	-	-	-	-	4,839,065
Securities sold under repurchase agreements	-	24,726,581	-	-	-	-	-	-	24,726,581
Derivative financial instruments	-	5,252	-	-	-	-	-	-	5,252
Total	55,413,199	66,189,604	46,040,594	54,813,598	67,600,329	33,609,864	303,592,182	-	627,259,370

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Repayable on demand HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Not stated maturity HK$'000	Total HK$'000
As at 31 December 2021									
Assets									
Reinsurance assets	-	74,876	10,428,754	9,208	1,521,414	2,758,609	5,011,458	-	19,804,319
Debt securities									
- Held-to-maturity	-	9,071,073	9,034,481	6,588,420	12,571,769	17,020,678	209,701,895	-	263,988,316
- Available-for-sale	-	2,568,198	4,723,467	4,511,557	5,480,573	1,677,600	30,479,302	-	49,440,697
- At fair value through profit or loss	-	120,996	132,113	71,961	881,445	66,275	1,155,700	-	2,428,490
Unit trusts									
- Available-for-sale	-	-	-	-	-	-	-	35,010,216	35,010,216
- At fair value through profit or loss	-	-	-	-	-	-	-	15,481,565	15,481,565
Equity securities									
- Available-for-sale	-	-	-	-	-	-	-	8,277,113	8,277,113
- At fair value through profit or loss	-	-	-	-	-	-	-	5,472,246	5,472,246
Derivatives									
- At fair value through profit or loss	-	-	-	-	241,553	-	-	-	241,553
Loans and receivables	3,827,014	1,411,301	-	1,395,225	587,738	-	-	-	7,221,278
Other debtors, prepayments and deposits	1,000,065	2,286,424	-	-	-	-	-	-	3,286,489
Term deposits	-	4,701,481	3,678,536	244,660	-	2,261,354	-	-	10,886,031
Cash and cash equivalents	24,318,506	-	-	-	-	-	-	-	24,318,506
Total	29,145,585	20,234,349	27,997,351	12,821,031	21,284,492	23,784,516	246,348,355	64,241,140	445,856,819

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Repayable on demand HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Not stated maturity HK$'000	Total HK$'000
As at 31 December 2021									
Liabilities									
Insurance contracts and investment contract with DPF liabilities	-	11,543,858	31,245,175	43,047,106	39,890,720	53,587,481	110,164,670	7,624,910	297,103,920
Interest-bearing borrowings	-	65,297	73,325	4,648,866	65,297	65,297	1,609,948	-	6,528,030
Lease liabilities	-	23,652	9,444	-	-	-	-	-	33,096
Amounts due to reinsurers	-	30,756	12,367,646	-	-	-	627,909	230,088	13,256,399
Policyholders' funds on deposits	-	7,238,076	10,813,993	13,653,223	21,475,397	9,739,916	3,995,486	-	66,916,091
Other insurance liabilities	40,650,809	-	-	-	-	-	-	-	40,650,809
Other payables and accrued charges	5,402,876	-	-	-	-	-	-	-	5,402,876
Securities sold under repurchase agreements	-	11,641,999	-	-	-	-	-	-	11,641,999
Derivative financial instruments	-	3,764	-	-	-	-	-	-	3,764
Total	46,053,685	30,547,402	54,509,583	61,349,195	61,431,414	63,392,694	116,398,013	7,854,998	441,536,984

Notes:

(1) Unit trust and equity securities with no fixed maturity are equities which the Group has the choice to call. Other financial liabilities with no fixed maturity are payables on demand as the counterparty has a choice of when the amount is paid.

(2) The amounts set forth in the tables above for insurance and investment contracts in each column are the undiscounted cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflows from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, the loss ratio of short-term insurance contracts, expense and other assumptions. Actual experience may differ from estimates.

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy

The following table presents the Group's quantitative disclosures of the fair value measurement hierarchy for assets and liabilities measured at fair value as at 31 December 2022 and 31 December 2021:

As at 31 December 2022	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	1,342,975	-	2,373,455	3,716,430
- Debt securities	789,717	2,065,535	-	2,855,252
- Unit trusts	5,654,634	2,137,604	6,484,097	14,276,335
- Derivatives	-	297,197	-	297,197
Available-for-sale financial assets				
- Equity securities	3,509,033	-	2,606,041	6,115,074
- Debt securities	60,525,343	-	-	60,525,343
- Unit trusts	5,975,556	80,615	13,921,785	19,977,956
	77,797,258	4,580,951	25,385,378	107,763,587
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	5,252	-	5,252
	-	5,252	-	5,252

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

As at 31 December 2021	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	2,412,041	-	3,060,205	5,472,246
- Debt securities	519,255	1,909,235	-	2,428,490
- Unit trusts	4,265,279	2,484,595	8,731,691	15,481,565
- Derivatives	-	241,553	-	241,553
Available-for-sale financial assets				
- Equity securities	7,438,403	-	838,710	8,277,113
- Debt securities	49,440,697	-	-	49,440,697
- Unit trusts	17,654,925	517,736	16,837,555	35,010,216
	81,730,600	5,153,119	29,468,161	116,351,880
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	3,764	-	3,764
	-	3,764	-	3,764

Level 1: The fair value of financial instruments traded in active markets (e.g. publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over–the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Binomial option pricing model in valuing convertible bonds and related options.
- Other techniques, including discounted cash flows, market comparable companies, net asset value.

Certain key assumptions used as inputs to the above techniques, including projection of future cash flows from the financial instruments, and probability distribution of reference events, are not observable market data, and therefore are subject to significant judgments.

The movements in fair value measurements in level 3 during the year are as follows:

Financial assets:

	2022 HK$'000	2021 HK$'000
At 1 January	29,468,161	28,528,228
Total (losses)/gains recognised in the consolidated statement of profit or loss included in net investment income	(1,957,085)	983,457
Total (losses)/gains recognised in other comprehensive income	(1,151,077)	690,915
Addition	1,977,935	2,892,319
Disposal	(1,971,707)	(3,626,758)
Transfer from Level 1 (i)	1,349,327	-
Transfer to Level 1 (ii)	(2,330,176)	-
At 31 December	25,385,378	29,468,161

(i) The underlying shares of equity investments amounting to HK$1,349,327 thousand as at 30 June 2022 were delisted. As it is no longer possible to determine the fair value of this investment using quoted prices or observable market data, it was transferred from level 1 to level 3.

(ii) In February 2022, investment in equity security of HK$2,330,176 thousand was transferred from Level 3 to level 1 since the underlying shares were listed on the public market and its fair value measurement has been determined as the quoted price in an active market.

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

Description	Fair value at 31 December 2022 (HK$'000)	Valuation techniques	Significant unobservable input	Range	Relationships between fair value and unobservable inputs
Unlisted equity securities	3,019,647	Market comparable companies approach	Marketability discount (i)	31 December 2022: 20% to 35% (31 December 2021: 10% to 20%)	The fair value is inversely related to the discounts for lack of marketability
			Price-to-Earnings ratio	31 December 2022: 13x to 32x (31 December 2021: 8x to 12x)	The fair value is positively related to the price-to-earnings ratio
			Price-to-Sales ratio	31 December 2022: 0.2x to 4.1x (31 December 2021: Nil)	The fair value is positively related to price-to-sales ratio
	574,783	Net asset value method	N/A	N/A	N/A
	1,385,066	Discounted cash flow method	Discount rate	31 December 2022: 7.95% to 8.45% (31 December 2021: 6.35% to 6.85%)	The fair value is inversely related to the discount rate
Unit trusts	20,405,882	Net asset value method	N/A	N/A	N/A

(i) The discount for lack of marketability represents the amounts of discounts determined by the Group that market participants would take into account when pricing the investments.

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. Management has assessed that the fair values of cash and cash equivalents, amount with affiliates, other debtors and deposit, loans and receivables, other insurance liabilities and other payables and accrued charges approximate to their carrying amounts largely due to the short-term maturities of these instruments. Significant differences were identified for the following instruments at 31 December 2022 and 31 December 2021:

	Carrying amounts 2022 HK$'000	Fair values 2022 HK$'000	Carrying amounts 2021 HK$'000	Fair values 2021 HK$'000
Financial assets				
Debt securities				
- Held-to-maturity	248,511,347	224,582,834	265,064,461	286,276,621

5 Operating segment information

The operating segments have been based on the reports reviewed by executive directors that are used to make strategic decisions. The executive directors consider the business from a product perspective as follows:

The life insurance segment provides life insurance products and services to customers in Hong Kong, Macau, Singapore and Indonesia. The Group's key business sectors cover life insurance, health and accident insurance, annuity, linked long-term businesses, etc., in the overseas market.

The remaining operations of the Group, together with consolidation adjustments, are included in trust management, other segment and elimination.

	Year ended 31 December 2022				
	Life insurance HK$'000	Trust management HK$'000	Other segment HK$'000	Elimination HK$'000	Total HK$'000
Net insurance premium revenue	36,152,829	-	-	-	36,152,829
Net investment income	9,312,948	7,939	483,516	(1,516,148)	8,288,255
Other income	35,776	78,369	20,485	(15,699)	118,931
	45,501,553	86,308	504,001	(1,531,847)	44,560,015
Net insurance benefits and claims	(33,621,336)	-	-	-	(33,621,336)
Expenses for the acquisition of insurance and investment contracts	(3,660,283)	-	(143)	-	(3,660,426)
Commissions on reinsurance ceded	123,687	-	-	-	123,687
Other operating expenses	(1,718,219)	(52,116)	(447,976)	218,170	(2,000,141)
Net expenses	(38,876,151)	(52,116)	(448,119)	218,170	(39,158,216)
Results of operating activities	6,625,402	34,192	55,882	(1,313,677)	5,401,799
Finance costs	(1,514,859)	-	(484,536)	-	(1,999,395)
Share of (losses)/profits of associates and joint venture	(188,112)	-	138,900	(5,790)	(55,002)
Profit before tax	4,922,431	34,192	(289,754)	(1,319,467)	3,347,402
Income tax expense	(178,927)	(5,241)	(733)	-	(184,901)
Profit for the year	4,743,504	28,951	(290,487)	(1,319,467)	3,162,501
Other comprehensive (loss)/income, net of tax	(7,751,784)	-	368,809	-	(7,382,975)
Total comprehensive (loss)/income for the year	(3,008,280)	28,951	78,322	(1,319,467)	(4,220,474)
Profit before tax includes:					
Interest income	13,340,046	1,580	1,966,348	(185,117)	15,122,857
Depreciation and amortisation	104,017	344	15,676	72,295	192,332

5 Operating segment information (Continued)

	Year ended 31 December 2021				
	Life insurance HK$'000	Trust management HK$'000	Other segment HK$'000	Elimination HK$'000	Total HK$'000
Net insurance premium revenue	52,939,533	-	-	-	52,939,533
Net investment income	21,170,981	13,195	378,200	(290,465)	21,271,911
Other income	101	84,755	1,035	-	85,891
	74,110,615	97,950	379,235	(290,465)	74,297,335
Net insurance benefits and claims	(64,760,624)	-	-	-	(64,760,624)
Expenses for the acquisition of insurance and investment contracts	(4,866,959)	-	(108)	-	(4,867,067)
Commissions on reinsurance ceded	156,244	-	-	-	156,244
Other operating expenses	(1,536,553)	(66,992)	(599,014)	290,465	(1,912,094)
Net expenses	(71,007,892)	(66,992)	(599,122)	290,465	(71,383,541)
Results of operating activities	3,102,723	30,958	(219,887)	-	2,913,794
Finance costs	(2,208,964)	-	(189,185)	-	(2,398,149)
Share of profits of associates and joint venture	584,418	-	329,895	-	914,313
Profit before tax	1,478,177	30,958	(79,177)	-	1,429,958
Income tax expense	(60,275)	(4,933)	-	-	(65,208)
Profit for the year	1,417,902	26,025	(79,177)	-	1,364,750
Other comprehensive (loss)/income, net of tax	(459,383)	-	195,535	-	(263,848)
Total comprehensive income for the period	958,519	26,025	116,358	-	1,100,902
Profit before tax includes:					
Interest income	14,529,523	1,612	36,757	(208,025)	14,359,867
Depreciation and amortisation	72,698	325	109,695	-	182,718

5 Operating segment information (Continued)

	31 December 2022				
	Life insurance HK$'000	Trust management HK$'000	Other segment HK$'000	Elimination HK$'000	Total HK$'000
Total assets	445,276,105	431,263	68,758,384	(51,373,374)	463,092,378
Total liabilities	422,424,130	18,756	27,544,481	(9,973,749)	440,013,618
Total equity	22,851,975	412,507	41,213,903	(41,399,625)	23,078,760
– Attributable to owners of the parent	22,867,023	412,507	41,006,436	(41,373,769)	22,912,197

	31 December 2021				
	Life insurance HK$'000	Trust management HK$'000	Other segment HK$'000	Elimination HK$'000	Total HK$'000
Total assets	438,732,229	410,301	77,883,766	(47,224,687)	469,801,609
Total liabilities	431,558,320	30,094	19,782,615	(8,868,654)	442,502,375
Total equity	7,173,909	380,207	58,101,151	(38,356,033)	27,299,234
– Attributable to owners of the parent	7,184,616	380,207	57,828,656	(38,356,033)	27,037,446

<u>Geographical information</u>

Approximately 98% (2021: 99%) of the Group's total income is derived from its operations in Hong Kong 93% (2021: 79%) and Macau 5% (2021: 20%).

(a) The information of the Group's gross insurance premium revenue by regions are detailed below:

	Gross insurance premium revenue	
	2022 HK$'000	2021 HK$'000
Hong Kong	39,518,926	46,987,068
Macau	9,026,936	12,131,980
Singapore	586,950	531,230
Indonesia	18,925	23,556
Total	49,151,737	59,673,834

5 Operating segment information (Continued)

Geographical information (Continued)

(b) The information of the Group's net insurance premium revenue by regions are detailed below:

	Net insurance premium revenue	
	2022	2021
	HK$'000	HK$'000
Hong Kong	33,312,666	41,851,043
Macau	2,257,476	10,571,009
Singapore	577,340	513,784
Indonesia	5,347	3,697
Total	36,152,829	52,939,533

(c) The information of the Group's total assets by regions are detailed below:

	Total assets	
	2022	2021
	HK$'000	HK$'000
Hong Kong	369,198,411	385,324,059
Mainland China	740,921	880,122
Macau	90,108,764	80,246,117
Singapore	2,851,446	3,119,194
Indonesia	192,836	232,117
Total	463,092,378	469,801,609

6 Insurance premium revenue

	2022	2021
	HK$'000	HK$'000
Gross premiums from:		
Life and annuity business	44,206,067	57,994,307
Linked long-term business	71	86
Group health business	94,201	73,678
Retirement benefit contributions	4,851,398	1,605,763
	49,151,737	59,673,834

7 Net investment income

	2022 HK$'000	2021 HK$'000
Dividend income	492,216	841,090
Distribution income	1,992,470	2,772,186
Interest on bank deposits	556,666	395,654
Interest on debt securities	14,487,008	13,824,011
Interest on loans	79,183	110,442
Impairment losses on available-for-sale financial assets	(2,568,919)	(441,300)
Impairment losses on held-to-maturity financial assets	(101,966)	-
Impairment losses on other debtors, prepayments and deposits, unsecured	-	(310,990)
Rental income	595,701	627,702
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
-Unit trusts	(819,320)	(851,805)
-Equity securities	(1,320,713)	(230,051)
-Debt securities	(159,976)	12,844
-Derivatives	216,065	(8,626)
Realised gains on disposal of financial assets at fair value through profit or loss	799,675	35,160
Realised (losses)/gains on disposal of available-for-sale financial assets	(2,880,858)	1,141,672
Realised (losses)/gains on disposal of held-to-maturity financial assets	(1,313,493)	509,905
Exchange (losses)/gains	(864,294)	2,085,975
(Decrease)/increase in fair value of investment properties	(1,046,538)	565,754
Others	145,348	192,288
	8,288,255	21,271,911

8 Other income

	2022 HK$'000	2021 HK$'000
Management fee	4,942	5,540
Trustee fee income	73,773	73,433
Others	40,216	6,918
	118,931	85,891

9 Other operating expenses

	2022 HK$'000	2021 HK$'000
Employee benefit expense (Note 10)	571,067	487,099
Interest credited to policyholder contract deposits	491,217	339,868
Investment expenses	385,182	596,581
Depreciation of property and equipment (Note 13)	66,490	72,141
Depreciation of right-of-use assets (Note 13)	81,872	82,248
Amortisation of computer software (Note 15)	43,970	28,329
Short-term lease rentals	5,009	2,635
Maintenance fee	45,518	45,607
Custodian fee	53,375	44,176
Advertisement expense	20,552	18,254
Legal and professional fee	17,955	10,871
Directors' emoluments (i)	2,706	1,536
Auditor's remuneration	11,151	7,808
Others	204,077	174,941
	2,000,141	1,912,094

(i) All directors' fee or emoluments are borne by the ultimate holding company.

10 Employee benefit expense

	2022 HK$'000	2021 HK$'000
Salaries and other benefits	547,487	462,830
Pension costs - defined contribution plans	23,184	23,334
Pension costs - defined benefit plan	396	935
	571,067	487,099

11 Finance costs

	2022 HK$'000	2021 HK$'000
Interest on:		
Policyholders' funds on deposits (i)	1,278,848	1,528,379
Bonds	38,061	66,056
Lease liabilities	1,204	1,812
Reinsurance deposits	151,190	608,195
Securities sold under repurchase agreements	341,633	60,375
Others	188,459	133,332
	1,999,395	2,398,149

(i) Interest on policyholders' funds on deposits represents the interest accrued on premium received in advance.

12 Income tax

	2022 HK$'000	2021 HK$'000
Current tax:		
Hong Kong profits tax, including adjustments in respect of prior years	255,294	32,271
Profits tax in other jurisdictions	31,935	4,240
	287,229	36,511
Deferred tax	(102,328)	28,697
Income tax expense	184,901	65,208

The income tax rates by regions are as follow:

	For the year ended 31 December	
	2022 HK$'000	2021 HK$'000
Hong Kong	16.5%	16.5%
Macau (progressive rates to a maximum)	12%	12%
Mainland China	25%	25%
Singapore	17%	17%
Indonesia	22%	22%

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

12 Income tax (Continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2022 HK$'000	2021 HK$'000
Profit before tax	3,347,402	1,429,958
Tax at the statutory tax rate	578,274	223,847
Income not subject to tax	(284,056)	(326,791)
Expenses not deductible for tax	52,541	1,551
Temporary difference not recognised	135,797	39,271
Temporary difference utilised	(21,429)	(4,751)
Tax loss not recognised	84,716	102,340
Utilisation of previously unrecognized tax loss	(360,778)	-
Effect on different tax rates in other jurisdictions	-	30,428
Overprovision from prior years	(164)	(687)
Tax charged at the Group's effective rate	184,901	65,208

The tax at statutory tax rate is determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction.

The Group's unrecognised tax losses by entities are as follow:

	2022 HK$'000	2021 HK$'000
Unrecognised tax losses arising in:		
Hong Kong Branch	-	1,183,279
Singapore Subsidiary	424,580	193,253
Indonesia Subsidiary	109,228	60,845
Sunnoon Development Limited	2,549,504	2,401,087
	3,083,312	3,838,464

Deferred tax assets have not been fully recognised in respect of the tax losses during the year as the Singapore Subsidiary, Indonesia Subsidiary and Sunnoon Development Limited of the Group may not have sufficient future profit to utilise all the tax losses.

13 Property and equipment

	Right-of-use assets			Owned assets							
	Land HK$'000	Properties HK$'000	Sub-total HK$'000	Land and buildings HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Office furniture HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2022											
Opening net book amount	3,002,239	32,192	3,034,431	985,016	153,413	13,306	10,944	1,729	7,447	1,171,855	4,206,286
Revaluation (decrease)/surplus	(313,582)	-	(313,582)	67,778	-	-	-	-	-	67,778	(245,804)
Additions	-	13,845	13,845	-	2,441	3,936	1,291	-	3,754	11,422	25,267
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfer from/(to) investment property	(12,068)	-	(12,068)	(4,153)	-	-	-	-	-	(4,153)	(16,221)
Transfer from/(to) construction in progress	-	-	-	-	553	-	115	-	(668)	-	-
Depreciation	(58,164)	(23,708)	(81,872)	(21,032)	(33,018)	(6,619)	(5,143)	(678)	-	(66,490)	(148,362)
Exchange realignment	-	(356)	(356)	(20,574)	(152)	(284)	(307)	(48)	-	(21,365)	(21,721)
Closing net book amount	2,618,425	21,973	2,640,398	1,007,035	123,237	10,339	6,900	1,003	10,533	1,159,047	3,799,445
At 31 December 2022											
Cost and valuation	2,618,425	97,270	2,715,695	1,007,035	341,261	91,246	83,166	10,322	10,533	1,543,563	4,259,258
Accumulated depreciation	-	(75,297)	(75,297)	-	(218,024)	(80,907)	(76,266)	(9,319)	-	(384,516)	(459,813)
Net book amount	2,618,425	21,973	2,640,398	1,007,035	123,237	10,339	6,900	1,003	10,533	1,159,047	3,799,445

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property and equipment (Continued)

	Right-of-use assets			Owned assets							
	Land HK$'000	Properties HK$'000	Sub-total HK$'000	Land and buildings HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Office furniture HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2021											
Opening net book amount	3,037,319	42,071	3,079,390	1,017,290	155,613	15,188	17,580	2,075	24,185	1,231,931	4,311,321
Revaluation surplus/(decrease)	250,885	-	250,885	(1,374)	-	-	-	-	-	(1,374)	249,511
Additions	-	30,104	30,104	6,153	5,181	5,198	1,323	463	10,949	29,267	59,371
Disposals	-	(13,775)	(13,775)	-	(15)	(5,486)	(274)	(634)	(349)	(6,758)	(20,533)
Transfer from/(to) investment property	(229,211)	-	(229,211)	(16,286)	-	-	-	-	-	(16,286)	(245,497)
Transfer from/(to) construction in progress	-	-	-	-	25,360	219	1,872	-	(27,310)	141	141
Depreciation	(56,754)	(25,494)	(82,248)	(21,535)	(32,834)	(7,320)	(9,654)	(798)	-	(72,141)	(154,389)
Exchange realignment	-	(714)	(714)	768	108	5,507	97	623	(28)	7,075	6,361
Closing net book amount	3,002,239	32,192	3,034,431	985,016	153,413	13,306	10,944	1,729	7,447	1,171,855	4,206,286
At 31 December 2021											
Cost and valuation	3,002,239	83,781	3,086,020	1,006,551	338,419	87,594	82,067	10,370	7,447	1,532,448	4,618,468
Accumulated depreciation	-	(51,589)	(51,589)	(21,535)	(185,006)	(74,288)	(71,123)	(8,641)	-	(360,593)	(412,182)
Net book amount	3,002,239	32,192	3,034,431	985,016	153,413	13,306	10,944	1,729	7,447	1,171,855	4,206,286

13 Property and equipment (Continued)

Depreciation expense of HK$148,362 thousand (2021: HK$154,389 thousand) has been charged in other operating expenses.

All buildings situated in Hong Kong were last revalued on 31 December 2022 by CHFT Advisory and Appraisal ("CHFT"). The valuer of CHFT is a member from the Royal Institution of Chartered surveyor, has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conforms to the International Valuation Standards, was arrived at by reference to comparable market transactions and rental yield for similar properties. All properties situated in Macau were revalued by Companhia de Investimento e Fomento Predial Nam Tung (Macau), S.A.R.L. All properties situated in Mainland China were revalued by CHFT.

The analysis of the cost and valuation as at 31 December 2022 and 2021 of the above assets is as follows:

	Right-of-use assets			Owned assets							
	Land HK$'000	Properties HK$'000	Sub-total HK$'000	Land and buildings HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Office furniture HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
At cost	-	21,973	21,973	-	123,237	10,339	6,900	1,003	10,533	152,012	173,985
At revaluation	2,618,425	-	2,618,425	1,007,035	-	-	-	-	-	1,007,035	3,625,460
31 December 2022	2,618,425	21,973	2,640,398	1,007,035	123,237	10,339	6,900	1,003	10,533	1,159,047	3,799,445
At cost	-	32,192	32,192	-	153,413	13,306	10,944	1,729	7,447	186,839	219,031
At revaluation	3,002,239	-	3,002,239	985,016	-	-	-	-	-	985,016	3,987,255
31 December 2021	3,002,239	32,192	3,034,431	985,016	153,413	13,306	10,944	1,729	7,447	1,171,855	4,206,286

13 Property and equipment (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's land and buildings:

As at 31 December 2022

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Properties held for own use	-	-	1,007,035	1,007,035
Right-of-use assets – land	-	-	2,618,425	2,618,425
	-	-	3,625,460	3,625,460

As at 31 December 2021

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Properties held for own use	-	-	985,016	985,016
Right-of-use assets – land	-	-	3,002,239	3,002,239
	-	-	3,987,255	3,987,255

13 Property and equipment (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Owner-occupied property and right-of-use asset land HK$'000
Carrying amount at 1 January 2021	4,054,609
Net gain from fair value adjustment recognised in other comprehensive income	249,511
Depreciation expense recognised in profit or loss	(78,289)
Additions	6,153
Transfer to investment property	(245,497)
Exchange realignment	768
Carrying amount at 31 December 2021 and 1 January 2022	3,987,255
Net loss from fair value adjustment recognised in other comprehensive income	(245,804)
Depreciation expense recognised in profit or loss	(79,196)
Transfer to investment property	(16,221)
Exchange realignment	(20,574)
Carrying amount at 31 December 2022	3,625,460

13 Property and equipment (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of property and equipment:

	Valuation technique	Significant unobservable input	Range or weighted average 2022	2021	Relationships between fair value and unobservable inputs
Land and buildings held for own use	Direct Comparison Method	Unit sale prices, by making reference to comparable transactions in the subject locality with adjustments to reflect the differences between the subject properties and the comparables.	Office: $14,000 per sqft	Office: $15,100 per sqft	The higher the unit sale prices, the higher the fair value
	Income Method	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market conditions.	Office: 2.7% to 3% Retail: 2.5% to 3.5% Carpark: 3% to 3.3%	Office: 2.6% to 3% Retail: 2.5% to 3% Carpark: 3% to 3.3%	The higher the capitalisation rate, the lower the fair value
		Monthly rent, using direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	Office: $29-43.5 per sqft Retail: $34-150 per sqft Carpark: $3,200-$5,500 per space	Office: $30-45 per sqft Retail: $34-175 per sqft Carpark: $3,800-$6,000 per space	The higher the monthly rent, the higher the fair value

14 Investment properties

	2022 HK$'000	2021 HK$'000
Fair value		
At 1 January	14,744,316	14,501,755
Net (decrease)/increase in fair value recognised in the consolidated statement of profit or loss	(1,046,538)	565,754
Additions	-	9,071
Disposals	(31,310)	(622,529)
Transfer from property and equipment	16,221	245,497
Exchange realignment	5,479	44,768
At 31 December	13,688,168	14,744,316

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out by CHFT. The valuation, which conforms to the International Valuation Standards, was arrived at by reference to comparable market transactions or capitalization rate for similar properties.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2022

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Investment properties	-	-	13,688,168	13,688,168

As at 31 December 2021

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Investment properties	-	-	14,744,316	14,744,316

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

14 Investment properties (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable input	Range or weighted average 2022	Range or weighted average 2021	Relationships between fair value and unobservable inputs
Investment properties	Direct Comparison method	Unit sale prices, by making reference to comparable transactions in the subject locality with adjustments to reflect the differences between the subject properties and the comparables	Office: $9,600 to $19,600 per sqft Carpark: $1,800,000 per space	Office: $13,300 to $20,840 per sqft Carpark: $2,000,000 per space	The higher the unit sale prices, the higher the fair value
	Income method	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property prevailing market conditions	Office and industrial: 2.7% to 9.4% Retail: 2.5% to 3.5% Carpark: 3% to 3.3% Healthcare: 6.3%	Office and industrial: 2.6% to 16.9% Retail: 2.5% to 3% Carpark: 3% to 3.3% Healthcare: 6.3%	The higher the capitalisation rate, the lower the fair value
		Monthly rent, using direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design.	Office: $29 to $276 per sqft Retail: $34 ot $150 per sqft Carpark: $3,200 to $5,500 per space Industrial: $42 to $130 per sqft Healthcare: $201 to $400 per sqft	Office: $30 to $276 per sqft Retail: $34 to $175 per sqft Carpark: $3,800 to $6,000 per space Industrial: $42 to $135 per sqft Healthcare: $201 to $400 per sqft	The higher the monthly rent, the higher the fair value

15 Intangible assets

	Notes	2022 HK$'000	2021 HK$'000
Goodwill	(a)	94,469	94,469
Computer software	(b)	161,390	109,249
		255,859	203,718

15 Intangible assets (Continued)

(a) Goodwill

	HK$'000
Cost at 1 January 2021, net of accumulated impairment	94,469
Exchange realignment	-
Cost and net carrying amount at 31 December 2021	94,469
At 31 December 2021:	
Cost	95,016
Accumulated impairment	(547)
Net carrying amount	94,469
Cost at 1 January 2022, net of accumulated impairment	94,469
Exchange realignment	-
Cost and net carrying amount at 31 December 2022	94,469
At 31 December 2022:	
Cost	95,016
Accumulated impairment	(547)
Net carrying amount	94,469

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU") for impairment testing:

- PT China Life Insurance Indonesia ("CL Indonesia")

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arises in respect of the Group's insurance businesses in Indonesia of HK$94m (2021: HK$94m). Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). If the recoverable amount of the unit (group of units) exceeds the carrying amount of the unit (group of units), the goodwill allocated to that unit (group of units) shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit (group of units) unless otherwise stated. The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit (group of units). The present value of expected future new business is based on financial budgets approved by management, typically covering a three year period unless otherwise stated. These financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses. Further, the present value of expected future new business beyond this initial five year period are extrapolated using a perpetual growth rate, which typically does not exceed the long-term expected Gross Domestic Product (GDP) growth of the geographical area in which the cash flows supporting the goodwill are generated.

15 Intangible assets (Continued)

(a) Goodwill (Continued)

Impairment testing of goodwill (Continued)

The key assumptions used in the calculation of EV and VNB including:

- Risk discount rate of 13.5% (2021: 13.5%) which is in line with industry average.
- VNB calculated using projected VNB over the next 5 years at a discount rate of 13.5% (2021: 13.5%).
- The perpetual growth rate beyond 5 years is 3.5% (2021: 3.5%) per year.

(b) Computer software

	2022 HK$'000	2021 HK$'000
Opening net book amount	109,249	71,063
Additions	101,505	66,755
Disposals	(66)	(99)
Amortisation	(43,970)	(28,329)
Exchange realignment	(5,328)	(141)
Closing net book amount	161,390	109,249
Cost and valuation	344,962	252,008
Accumulated amortisation	(183,572)	(142,759)
Net book amount	161,390	109,249

16 Statutory deposits

The amount represents one-year fixed rate (2022: 0.05% and 2021: 0.117%) bank deposit in the name of the Director of Accounting Services in compliance with Section 77(2e) of the Trustee Ordinance.

17 Investment in associates

	For the year ended 31 December	
	2022 HK$'000	2021 HK$'000
As at 1 January	4,263,104	3,704,162
Change of the cost	243,895	365,462
Share of (losses)/profits	(49,921)	896,251
Other equity movements	7,005	(2,171)
Dividends declared	(133,067)	(153,410)
Disposal	(1,754,995)	-
Exchange alignment	(59,831)	(547,190)
As at 31 December	2,516,190	4,263,104

17 Investment in associates (Continued)

Details of associates as at 31 December 2022 are as follows:

Name of company	Form of structure	Place of incorporation	Principal place of operation	% of ownership interest	Principal activities
Sanlink Investments Limited	Incorporated	Hong Kong	Hong Kong	30%	Investment holding
Savills Taiping Property Management Limited	Incorporated	Hong Kong	Hong Kong	30%	Property management
China Life Franklin Asset Management Co., Limited ("Franklin")	Incorporated	Hong Kong	Hong Kong	24%	Investment advisory
Route 3 (CPS) Co., Limited	Incorporated	Hong Kong	Hong Kong	30%	Toll road system operation
99 Bishopsgate Real Estate S.A.R.L.	Incorporated	Luxembourg	Great Britain	40%	Property development and activities
CAG Bermuda 1 Limited	Incorporated	Bermuda	Hong Kong	21.05%	Aviation leasing
A10 USD (Feeder No.2) L.P.	Limited Partnership	Guernsey	Guernsey	28.57%	Private equity fund
Baidu Capital L.P. (i)	Limited Partnership	Cayman Islands	P.R.C.	80%	Investment holding
SINO-CEEF Capital Management Company Limited	Incorporated	Hong Kong	Hong Kong	21%	Investment holding
SINO-CEE Fund (ii)	General Partner	Luxembourg	Hong Kong	2.97%	Investment holding

(i) The Group has 80% ownership of Baidu Capital L.P.. The board of directors consists of 5 menbers, 2 of whom are appointed by the Group and 3 by GP. Thus, the Group has significant influence over Baidu Capital L.P..

(ii) SINO-CEE Fund is controlled by SINO-CEEF Capital Management Company Limited, which is also an associate of the Group. The Group has one seat on the board of SINO-CEEF Capital Management Company Limited, and thus the Group can have significant influence over SINO-CEE Fund though SINO-CEEF Capital Management Company Limited.

17 Investment in associates (Continued)

99 Bishopsgate Real Estate S.A.R.L., which is considered a material associate of the Group, is a property development company which holds office building as investment property in U.K. and is accounted for using the equity method.

The following table illustrates the summarised financial information of 99 Bishopsgate Real Estate S.A.R.L. adjusted for any differences in accounting policies:

	2022 HK$'000	2021 HK$'000
Current assets	182,371	159,540
Non-current assets	2,769,795	3,485,582
Current liabilities	(110,683)	(124,062)
Non-current liabilities	(1,969,980)	(2,204,389)
Net assets	871,503	1,316,671

	2022 HK$'000	2021 HK$'000
Revenue	217,699	232,288
(Loss)/profit and total comprehensive (loss)/income for the year	(445,168)	121,104
Dividends received from the associate	-	13,695

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2022 HK$'000	2021 HK$'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	40%	40%
Group's share of net assets of the associate, excluding goodwill	348,601	526,668
Carrying amount of the investment	348,601	526,668

17 Investment in associates (Continued)

A10 USD (Feeder No.2) L.P., which is considered a material associate of the Group, is an investment holding company which holds debt securities in U.S. and is accounted for using the equity method.

The following table illustrates the summarised financial information A10 USD (Feeder No.2) L.P. adjusted for any differences in accounting policies:

	2022 HK$'000	2021 HK$'000
Net assets	2,353,898	1,572,734

	2022 HK$'000	2021 HK$'000
Revenue	162,079	84,258
Profit and total comprehensive income for the year	67,331	51,696

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2022 HK$'000	2021 HK$'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	28.57%	28.57%
Group's share of net assets of the associate, excluding goodwill	672,509	449,330
Carrying amount of the investment	672,509	449,330

17 Investment in associates (Continued)

Baidu Capital L.P., which is considered a material associate of the Group, is an investment holding company which holds securities in U.S. and is accounted for using the equity method.

The following table illustrates the summarised financial information Baidu Capital L.P., adjusted for any differences in accounting policies:

	2022 HK$'000	2021 HK$'000
Net assets	726,777	1,108,357

	2022 HK$'000	2021 HK$'000
Revenue	827	1,452
Loss and total comprehensive loss for the year	(181,790)	(112,685)
Dividends received from the associate	85,639	-

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2022 HK$'000	2021 HK$'000
Reconciliation to the Group's interest in the associate: Proportion of the Group's ownership	80%	80%
Group's share of net assets of the associate, excluding goodwill	581,422	886,686
Carrying amount of the investment	581,422	886,686

17 Investment in associates (Continued)

Route 3 (CPS) Co.,Limited ("Route 3"), which is considered a material associate of the Group, is a toll road system operation company which is to operate a toll road system in Hong Kong commonly known as Route 3 (CPS) pursuant to a franchise granted by the Government of the Hong Kong Special Administrative Region ("HKSAR Government") for a period of 30 years commencing on 31 May 1995. Route 3 is accounted for using the equity method.

The following table illustrates the summarised financial information Route 3 (CPS) Co., Limited adjusted for any differences in accounting policies:

	2022 HK$'000	2021 HK$'000
Current assets	234,000	88,000
Non-current assets	626,000	883,000
Current liabilities	(39,000)	(35,000)
Non-current liabilities	(156,503)	(565,203)
Net assets	664,497	370,797

	2022 HK$'000	2021 HK$'000
Revenue	971,300	1,019,000
Profit and total comprehensive income for the year	443,700	480,000
Dividends received from the associate	45,000	130,500

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2022 HK$'000	2021 HK$'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net assets of the associate, excluding goodwill	199,349	111,239
Goodwill on acquisition	343,000	343,000
Carrying amount of the investment	542,349	454,239

17 Investment in associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 HK$'000	2021 HK$'000
Share of the associates' profits for the year	17,208	11,860
Share of the associates' other comprehensive income	-	-
Share of the associates' total comprehensive income	17,208	11,860
Dividends received from the associates	2,428	9,215
Aggregate carrying amount of the Group's investments in the associates	371,309	296,610

The Group had no contingent liabilities with the associates as at 31 December 2022 and 31 December 2021. The Group had a capital contribution commitment of HK$165 million with associates as at 31 December 2022 (31 December 2021: HK$409 million). The capital contribution commitment amount has been included in the capital commitments in Note 40.

18 Investment in joint venture

	2022 HK$'000	2021 HK$'000
As at 1 January	525,842	491,615
Share of profit or loss	(5,081)	18,062
Other equity movements	(4,803)	2,024
Dividends declared	(14,127)	-
Exchange alignment	(38,553)	14,141
Carrying amount of investment in joint venture	463,278	525,842

Details of joint venture as at 31 December 2022 are as follows:

Name of company	Form of structure	Place of incorporation	Principal place of operation	Percentage of ownership interest attributable to the Group	Principal activities
Top Fountain Limited	Incorporated	British Virgin Islands	Hong Kong	10%	Property development activities

Top Fountain Limited, which is considered a material joint venture of the Branch, is an investment holding company which holds subsidiary on property development activities in P.R.C. and is accounted for using the equity method.

According to the agreement, decisions about the relevant activities of Top Fountain Limited require the unanimous consent of the parties sharing control.

The following table illustrates the summarised financial information of Top Fountain Limited adjusted for any differences in accounting policies:

18 Investment in joint venture (Continued)

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents	254,350	267,023
Other current assets	92,079	29,566
Current assets	346,429	296,589
Non-current assets	7,626,822	8,264,275
Financial liabilities, excluding trade and other payables and provision	(171,654)	(155,929)
Other current liabilities	(58,292)	(2,991,983)
Current liabilities	(229,946)	(3,147,912)
Non-current financial liabilities, excluding trade and other payables and provision	(3,065,121)	(106,882)
Other non-current liabilities	-	-
Non-current liabilities	(3,065,121)	(106,882)
Non-controlling interests	(45,405)	(47,650)
Net assets	4,632,779	5,258,420

	2022 HK$'000	2021 HK$'000
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	10%	10%
The Group's share of net assets of the joint venture, excluding goodwill	463,278	525,842
Carrying amount of the investment	463,278	525,842
Revenue	310,503	360,309
Depreciation and amortisation	(95)	(246)
Interest expenses	(161,747)	(166,592)
Income tax	(53,512)	(56,277)
(Loss)/profit for the year	(49,573)	185,239
Other comprehensive loss	(48,028)	-
Total comprehensive (loss)/income for the year	(97,601)	185,239
Dividends received from the joint venture	(14,127)	-

The Group had no contingent liabilities with the joint venture as at 31 December 2022 and 31 December 2021. The Group had a capital contribution commitment of HK$335 million with joint ventures as at 31 December 2022 (as at 31 December 2021: HK$335 million). The capital contribution commitment amount has been included in the capital commitments in Note 40.

19 Financial assets and financial liabilities

Financial assets

	2022 HK$'000	2021 HK$'000
Held-to-maturity financial assets, at amortised costs		
Debt securities	250,511,347	265,886,338
Provision for impairment	(2,000,000)	(1,898,022)
Total held-to-maturity financial assets	248,511,347	263,988,316

	2022 HK$'000	2021 HK$'000
Available-for-sale financial assets		
Equity securities	10,569,728	11,622,294
Debt securities	60,525,343	49,440,697
Unit trusts (ii)	21,248,075	35,340,055
Provision for impairment	(5,724,773)	(3,675,020)
Total available-for-sale financial assets	86,618,373	92,728,026

	2022 HK$'000	2021 HK$'000
Financial assets at fair value through profit or loss		
Equity securities (i)	3,716,430	5,472,246
Debt securities	2,855,252	2,428,490
Unit trusts (ii)	14,276,335	15,481,565
Derivatives	297,197	241,553
Total financial assets at fair value through profit or loss	21,145,214	23,623,854

Financial liabilities

	2022 HK$'000	2021 HK$'000
Financial liabilities at fair value through profit or loss	5,252	3,764

(i) The Group's unlisted equity investments are designated at fair value through profit or loss upon initial recognition. At 31 December 2022, the amount of such designation is HK$ 2,388,314 thousand (31 December 2021: HK$3,736,527 thousand).

(ii) The unit trusts are treated as equity securities.

20 Loans and receivables

	2022 HK$'000	2021 HK$'000
Receivables arising from insurance and reinsurance contracts	341,990	305,048
Other loans and receivables		
- Policyholders' loans	1,551,088	1,532,787
- Unsecured loans	1,242,271	1,259,327
- Unlisted debt securities	602,150	602,150
	3,395,509	3,394,264
Interest receivables	3,684,693	3,521,966
	7,422,192	7,221,278
Current portion	5,577,772	5,359,801
Non-current portion	1,844,420	1,861,477
	7,422,192	7,221,278

Receivables that were neither past due nor impaired relate to a large number of diversified debtors for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21 Other debtors, prepayments and deposits

	2022 HK$'000	2021 HK$'000
Investment and brokerage receivable	796,571	679,534
Other debtors and deposits	382,633	320,531
Prepayments	3,054	4,350
Prepaid ceded premium(i)	1,308,667	2,282,074
Other debtors, prepayments and deposits	2,490,925	3,286,489

(i) The Group signed coinsurance contracts (the "Contracts") with reinsurers. Under the Contracts, the Group placed the prepaid ceded premium deposit in the reinsurer. The average interest rate of prepaid ceded premium in 2022 was 2.5% per annum (2021: 3%).

The individually impaired other debtors and deposits relate to other debtors that were in financial difficulties or were in default in interest and/or principal payments.

The movements in provision for impairment of other debtors and deposits are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	3,884,572	3,884,572
Impairment losses recognised in consolidated statement of profit or loss (Note 7)	-	310,990
Impairment losses write off	-	(310,990)
At 31 December	3,884,572	3,884,572

Included in the above provisions for impairment of other debtors and deposits are provisions for individually impaired other debtors of HK$3,885 million (2021: HK$3,885 million) with gross carrying amount of HK$3,885 million (2021: HK$3,885 million).

Except those as disclosed above, the remaining other debtors and deposits for whom there was no recent history of default were neither past due nor impaired.

22 Term deposits

	2022 HK$'000	2021 HK$'000
Maturing:		
Within one year	13,383,578	4,701,481
After one year but within five years	3,633,418	6,184,550
	17,016,996	10,886,031

23 Policyholders' funds on deposits

	2022 HK$'000	2021 HK$'000
Investment contract without DPF liabilities	709	4,141
Accrued interest on insurance contracts and investment contracts with DPF	798,876	792,361
Policyholder dividend payables	3,516,342	4,566,843
Premium received in advance	49,878,288	60,752,981
Interest payable on premiums received in advance	610,321	799,765
	54,804,536	66,916,091

The premium received in advance bear fixed interest rates. The amount is repayable to policyholders on demand and is therefore considered current in nature.

24 Amounts due to reinsurers

	2022 HK$'000	2021 HK$'000
Payable to reinsurer	604,475	888,753
Reinsurance deposit (i)	21,475,578	12,367,646
	22,080,053	13,256,399

(i) The Group signed a modified coinsurance contract (the "Contract") with a reinsurer. Under the Contract, the reinsurer placed a deposit in the Group. The interest rate of reinsurance deposit in 2022 was 6.4% per annum (2021: 6.2%).

25 Other insurance liabilities

	2022 HK$'000	2021 HK$'000
Commission payable	85,428	156,297
Claims payable	19,889	16,233
Surrender or other benefit payable	45,543,278	40,478,279
	45,648,595	40,650,809

26 Other payables and accrued charges

	2022 HK$'000	2021 HK$'000
Salary and welfare payable	310,189	254,940
Investment and brokerage payable	1,052,139	3,274,127
Interest payable of bonds	-	28,216
Accrued charges	686,949	689,476
Others	2,789,788	1,156,117
	4,839,065	5,402,876

27 Deferred income tax

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from land and buildings revaluation HK$'000	Fair value adjustments arising from investment properties HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Total HK$'000
Deferred tax liabilities					
At 1 January 2022	8,244	40,404	100,008	950,274	1,098,930
Deferred tax charged to profit or loss	(45)	5,812	(3,907)	-	1,860
Deferred tax credited to other comprehensive income	-	(38)	-	(950,274)	(950,312)
Gross deferred tax liabilities as at 31 December 2022	8,199	46,178	96,101	-	150,478

27 Deferred income tax (Continued)

	Adjustments arising from fair value change and impairment on investment assets HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Tax loss recognised HK$'000	Total HK$'000
Deferred tax assets					
At 1 January 2022	75,395	-	24	98,913	174,332
Deferred tax charged to profit or loss	104,188	-	-	-	104,188
Deferred tax credited to other comprehensive income	-	289,058	-	-	289,058
Gross deferred tax asset as at 31 December 2022	179,583	289,058	24	98,913	567,578

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

Net deferred tax assets recognised in the consolidated statement of financial position	417,129
Net deferred tax liabilities recognised in the consolidated statement of financial position	29

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from land and buildings revaluation HK$'000	Fair value adjustments arising from investment properties HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Total HK$'000
Deferred tax liabilities					
At 1 January 2021	8,244	39,932	98,167	1,155,820	1,302,163
Deferred tax charged to profit or loss	-	2	-	2	4
Deferred tax charged/(credited) to other comprehensive income	-	470	1,841	(205,548)	(203,237)
Gross deferred tax liabilities as at 31 December 2021	8,244	40,404	100,008	950,274	1,098,930

27 Deferred income tax (Continued)

	Adjustments arising from temporary difference on investment assets HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Tax loss recognised HK$'000	Total HK$'000
Deferred tax assets					
At 1 January 2021	63,167	-	24	98,913	162,104
Deferred tax charged to profit or loss	(28,693)	-	-	-	(28,693)
Deferred tax credited to other comprehensive income	40,921	-	-	-	40,921
Gross deferred tax assets as at 31 December 2021	75,395	-	24	98,913	174,332

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

Net deferred tax assets recognised in the consolidated statement of financial position	24
Net deferred tax liabilities recognised in the consolidated statement of financial position	924,622

28 Insurance contract and investment contract with DPF liabilities

(a) Movements in insurance contract and investment contract with DPF liabilities, and reinsurance assets

	2022 Insurance gross HK$'000	2022 Reinsurance assets HK$'000	2022 Net HK$'000	2021 Insurance gross HK$'000	2021 Reinsurance assets HK$'000	2021 Net HK$'000
At 1 January	297,103,920	(19,804,319)	277,299,601	317,605,274	(13,701,971)	303,903,303
Net revaluation premiums received	33,858,848	(12,217,944)	21,640,904	50,007,154	(6,744,031)	43,263,123
Interest accredited	10,925,731	(733,562)	10,192,169	11,020,322	-	11,020,322
Liabilities released for payments on						
- death	(833,502)	87,987	(745,515)	(865,948)	39	(865,909)
- surrender	(9,183,743)	-	(9,183,743)	(1,816,748)	300	(1,816,448)
- other terminations	(42,997,448)	45,608	(42,951,840)	(85,896,005)	146,093	(85,749,912)
Change in other regulatory reserves	(2,322,274)	-	(2,322,274)	(586,380)	(22,486)	(608,866)
Change in valuation assumptions	(2,115,731)	(48,172)	(2,163,903)	7,688,271	-	7,688,271
Change in FX rate	(448,142)	30,089	(418,053)	-	-	-
Others	(933,206)	(482,987)	(1,416,193)	(52,020)	517,737	465,717
At 31 December	283,054,453	(33,123,300)	249,931,153	297,103,920	(19,804,319)	277,299,601
Current			27,146,611			33,421,472
Non-current			222,784,542			243,878,129
			249,931,153			277,299,601

28 Insurance contract and investment contract with DPF liabilities (Continued)

(b) Process used to decide on assumptions

The Group makes estimates of mortality rates, investment returns, administration expenses and other market factors. These estimates form the basis for the assumptions used to calculate the liabilities arising from these contracts and will be reviewed regularly.

(i) Investment return assumptions are based on estimates of future yields on the Group's investments. In determining interest rate assumptions, the Group considers past investment experience, the current and future mix of its investment portfolio and trends in yields. The assumed rate of investment return used is as follows:

Valuation year	Valuation interest rate assumptions
2022	2.30% - 4.54%
2021	2.48% - 4.54%

(ii) Estimates are made for mortality in each of the years that the Group is exposed to risk. The Group determines its mortality assumptions, on a prudent basis, with reference to the Group's historical mortality experience.

(iii) A number of other reserves including resilience reserve and currency mismatch reserve for life and annuity business ("Class A") and retirement scheme management business ("Class G") and a reserve for guarantees on Class G business are set up for the Hong Kong and Macau business. The resilience reserve of HK$482 million (2021: HK$1,211 million) is calculated from a small number of scenarios under which combinations of bond yield rise/fall and equity rise/fall are assumed. The currency mismatch reserve as at 31 December 2022 amounted to approximately HK$299 million (2021: HK$349 million) for Class A and HK$15 million (2021: HK$13 million) for Class G and is calculated based on a percentage of the mismatched assets and liabilities. The percentage used has made reference to the probability of a removal of link between the relevant currencies as well as an estimate of the adverse movement in the event of such removal.

The HK business Class G reserve for guarantees is calculated with reference to the Guideline 7 "The Reserve Provision for Class G of Long Term Business" issued by the Insurance Authority. A stochastic asset model is chosen to project future expected asset returns. Asset returns are assumed to follow the log-normal distribution. 1,000 scenario runs are performed. Policies are grouped into different model points according to the level of guarantee interest rate. Future contribution amounts are assumed to be equal to the current level and adjusted by the increment due to salary increase, new entrants and decrements due to withdrawals.

(c) Change in assumptions and sensitivity analysis

The Group did not change its process used to decide on assumptions and no significant change on assumption for the insurance contracts disclosed in this note.

If the valuation interest rates in all years were 0.5% lower than the current assumptions, the insurance liabilities would increase by HK$7,522 million (2021: HK$8,072 million). Where the mortality rates increased by 10% from current assumptions, the insurance fund would increase by HK$98 million (2021: HK$103 million).

29 Interest-bearing borrowings

	2022 HK$'000	2021 HK$'000
Mortgage payable (a)	4,537,334	4,595,480
Bonds payable (b)	-	1,932,550
	4,537,334	6,528,030

(a) Mortgage payable represents the loan with investment properties mortgaged (note 32).

(b) China Life Insurance (Overseas) Company Limited, Hong Kong Branch (the "Hong Kong Branch") issued subordinated bonds with a maturity term of 10 years at nominal amount of US$250,000,000 in reliance on Regulation S under the U.S. Securities Act of 1933 in July 2017. On 28 July 2017, the bonds were listed on The Stock Exchange of Hong Kong Limited. The coupon rate per annum is fixed at 3.35%. The Hong Kong Branch had early redemption option at the end of the fifth year. On 27 July 2022, the bonds were all redeemed.

30 Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January	33,096	43,680
Additions	13,845	19,351
Accretion of interest	1,204	1,781
Payments	(25,155)	(25,760)
Exchange realignment	(466)	(236)
Lease modification	-	(5,720)
Carrying amount at 31 December	22,524	33,096

The incremental borrowing rate applied to the lease liabilities recognised at 31 December 2022 ranged from 3.4% to 4.6% (2020: 3.4% to 4.7%).

The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK$'000	2021 HK$'000
Depreciation expense of right-of-use assets	81,872	82,248
Interest expense on lease liabilities	1,204	1,781
Expense relating to short-term leases (included in other operating expenses)	5,009	2,635
	88,085	86,664

The total cash outflow for leases is disclosed in note 34(b) to the consolidated financial statements.

31 Share capital

	2022 HK$'000	2021 HK$'000
Share capital		
Issued and fully paid:		
At 1 January		
2022: 6,977,888,000 (2021: 6,977,888,000) ordinary shares	7,919,828	7,919,828
Issue during the year:		
2022: Nil (2021: Nil) ordinary shares	-	-
At 31 December		
2022: 6,977,888,000 (2021: 6,977,888,000) ordinary shares	7,919,828	7,919,828

The total number of authorised ordinary shares was 6,978 million, with a par value of RMB1 per share. All issued shares are fully paid at the end of the reporting period.

During 2020, the Company received capital injection of HK$4,700,000,000 (the "Capital Injection") with total number of ordinary shares of 4,079 million and par value of RMB1 per share from its immediate holding company. However, the issue of share is still in progress. The Capital Injection is classified as other reserve and regarded as deemed share capital as at 31 December 2022.

32 Pledge of assets

The following assets were pledged in favour of Monetary Authority of Macau as guarantee for its technical reserves, as required under the Macau Insurance Law.

	2022 HK$'000	2021 HK$'000
Term deposits	9,185,822	5,899,288
Cash and cash equivalents	1,073,968	1,131,189
Equity securities	8,601	1,762,983
Debt securities	52,489,766	43,517,040
Land and buildings	95,080	99,670
	62,853,237	52,410,170

In addition to the pledged asses under the Macau Insurance Law, as at 31 December 2022, debt securities of approximately HK$26,682 million (31 December 2021: HK$13,971 million) were pledged as collateral under repurchase agreements, and investment properties of approximately HK$6,781 million (31 December 2021: HK$6,206 million) were mortgaged for borrowings.

33 Cash generated from operations

	Notes	2022 HK$'000	2021 HK$'000
Profit before tax		3,347,402	1,429,958
Adjustments for:			
Net realised and unrealised losses/(gains) on financial assets	7	5,478,620	(1,024,174)
Loss on disposal of property and equipment	9	-	21
Interest income	7	(15,122,857)	(14,359,867)
Interest expense	11	569,357	2,398,149
Dividend and distribution income	7	(2,484,686)	(3,613,276)
Depreciation of property and equipment	13	66,490	72,141
Depreciation of right-of-use assets	13	81,872	82,248
Amortisation of computer software	15	43,970	28,329
Revaluation loss/(gain) on investment properties	14	1,046,538	(565,754)
Exchange loss/(gain)	7	864,294	(2,085,975)
Share of loss/(profit) of associates and joint ventures		55,002	(914,313)
Impairment loss on financial assets	7	2,670,885	752,290
Operating cash flows before movements in working capital		(3,383,113)	(17,800,223)
Increase in reinsurance assets		(13,318,981)	(6,102,348)
(Increase)/decrease in loans and receivables	20	(19,886)	36,482
Increase/(decrease) in other debtors, prepayments and deposits	21	795,564	(1,909,659)
(Decrease)/increase in policyholders' funds on deposits	23	(12,111,555)	8,628,221
Increase in amounts due to reinsurers	24	8,823,654	2,205,386
Increase in other insurance liabilities	25	4,997,786	3,772,286
Decrease in other payables and accrued charges	26	(535,595)	(3,467,900)
Decrease in financial liabilities arising from insurance contracts and investment contracts with DPF	28	(14,049,467)	(20,501,354)
Increase in policyholders' loan		(18,301)	(29,831)
Decrease in financial assets at fair value through profit or loss		2,151,179	3,695,416
Cash used in operations		(26,668,715)	(31,473,524)

	2022	2021
Cash flows used in operating activities		
Cash used in operations	(26,668,715)	(31,473,524)
Income tax paid	(32,802)	(69,250)
Net cash flows used in operating activities	(26,701,517)	(31,542,774)

34 Notes to the consolidated statement of cash flows

(a) Reconciliation of liabilities arising from financing activities:

	Bond payable HK$'000	Bond interest payable (note) HK$'000	Mortgage payable HK$'000	Securities sold under agreements to repurchase HK$'000
At 1 January 2021	1,931,573	28,118	4,870,009	11,663,819
Changes from financing cash flows:				
Interest paid	-	(64,981)	(407,861)	(82,195)
Non-cash changes:	-	-	-	-
Interest accrued	-	65,079	133,332	60,375
Amortisation of bond	977	-	-	-
At 31 December 2021 and 1 January 2022	1,932,550	28,216	4,595,480	11,641,999
Changes from financing cash flows:	-	-	-	-
Cash received from repurchase agreement	-	-	-	13,083,247
Interest paid	-	(32,491)	(246,605)	(340,298)
Repayment of bond	(1,966,336)	-	-	-
Non-cash changes:	-	-	-	-
Interest accrued	-	4,275	188,459	341,633
Amortisation of bond	33,786	-	-	-
At 31 December 2022	-	-	4,537,334	24,726,581

Note: Bond interest payable is included under other payables and accrued charges in the consolidated statement of financial position.

(b) Total cash outflow for leases:

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 HK$'000	2021 HK$'000
Within operating activities	5,009	2,635
Within financing activities	25,155	25,760
At 31 December	30,164	28,395

35 Operating lease commitments

As lessor

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2022 HK$'000	2021 HK$'000
Within one year	121,330	92,855
In the first to second year	61,651	84,007
In the second to third year	35,300	33,861
In the third to fourth year	12,778	11,718
In the fourth to fifth year	4,259	-
	235,318	222,441

36 Significant related party transactions

The Group is subject to ultimate control of the State Council of the PRC government through China Life Insurance (Group) Company. The State Council of the PRC Government 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.

Under Hong Kong Accounting Standard 24 Related Party Disclosures ("HKAS 24"), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. Nevertheless, the Group believes that the following captures the material related party transactions and has applied HKAS 24 exemption and disclosed only qualitative information.

The transactions mainly include the following:

- sales, purchase and redemption of securities issued by other state-controlled entities
- outward reinsurance transactions with other state-controlled entities
- bank deposits in state-owned banks

During the year, a number of significant transactions are entered into with related parties in the normal course of business. For the purpose of the disclosures in the following tables, related parties refer to subsidiaries of China Life Insurance (Group) Company only:

(a) Consolidated statement of profit or loss items:

	For the year ended	
	2022 HK$'000	2021 HK$'000
Associates:		
Investment management fee (Note i)	(118,683)	(100,224)
Property management fee (Note ii)	(616)	(4,071)
Interest income (Note iii)	40,822	36,128

36 Significant related party transactions (Continued)

(a) Consolidated statement of profit or loss items: (Continued)

	For the year ended	
	2022 HK$'000	2021 HK$'000
Fellow subsidiaries:		
Property and liability insurance expenses	-	(80)
Investment management fee	(38,609)	(39,835)
Agency service fee	(19)	(9)
Management fee	(561)	(591)
Information technology service fee	(13,665)	(1,900)
Training expense	(120)	(97)
Other related parties:		
Claims expense	(353)	(311)
Interest income	2,813	9,043
Commission fee	(16,681)	-
Bank charges	(9)	(31)

Notes:

(i) The Group received investment management services from, and paid investment management fee to an associate of the Group.

(ii) The Group received property management services for owned office premises and paid property management fee to an associate of the Group.

(iii) The Group received interest income from unsecured loans to its associates amounting to HK$777,111 thousand (2021: HK$789,813 thousand) with interest at 5.016% per annum (2021: 5.016% per annum).

(b) Consolidated statement of financial position items:

	2022 HK$'000	2021 HK$'000
Associates:		
Amounts due from associates	45,000	65,079
Unsecured loans	796,324	789,814
Investment management fee payables	(118,683)	(56,229)
Interest receivables	50,671	36,128
Fellow subsidiaries:		
Investment management fee payables	(74,946)	(39,256)
Information technology service fee payables	(7,131)	(1,900)
Other payable	(772)	-

36 Significant related party transactions (Continued)

(c) The remuneration of directors and other members of key management during the year was as follows:

	2022 HK$'000	2021 HK$'000
Short-term benefits	134,998	152,345

The remuneration of directors and key executives is determined with regard to performance of individuals and market trends.

37 Operating capital management

The Group's objectives for managing capital are to comply with the insurance capital requirements based on the minimum capital and actual capital required by the local regulators, prevent risk in operation and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders.

The Group defines capital as net equity and bond payables of the Group.

38 Dividend

No dividend (2021: Nil) was declared and paid for the year.

39 Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK$'000	2021 HK$'000
Assets		
Property, equipment and software	605,543	593,162
Investment properties	315,240	338,960
Deferred tax assets	407,648	-
Investments in subsidiaries	40,584,706	39,245,541
Investments in associates	1,973,841	3,808,864
Investments in joint venture	463,278	525,842
Reinsurance assets	33,123,300	19,804,319
Debt securities		
- Held-to-maturity	207,182,094	218,118,109
- Available-for-sale	59,863,018	48,686,667
- At fair value through profit or loss	801,084	833,218
Unit trusts		
- Available-for-sale	21,071,055	38,379,988
- At fair value through profit or loss	8,321,035	9,734,838
Equity securities		
- Available-for-sale	6,115,074	8,277,113
- At fair value through profit or loss	1,452,395	4,795,924
Derivatives		
- At fair value through profit or loss	178,392	219,660
Loans and receivables	15,416,025	6,462,023
Loan to subsidiaries, unsecured	86,302	8,857,458
Other debtors, prepayments and deposits, unsecured	4,146,486	3,210,746
Term deposits	16,860,078	10,874,333
Cash and cash equivalents	23,265,229	23,396,346
Total assets	442,231,823	446,163,111

39 Statement of financial position of the Company (Continued)

	2022 HK$'000	2021 HK$'000
Total assets	442,231,823	446,163,111
Liabilities		
Insurance contract and investment contract with DPF liabilities	280,796,845	294,941,918
Policyholders' funds on deposits	54,788,691	66,092,584
Amounts due to reinsurers	22,078,361	13,253,836
Other insurance liabilities	45,637,120	40,634,699
Other payables and accrued charges	3,589,405	2,949,566
Securities sold under repurchase agreements	12,826,479	-
Deferred tax liabilities	-	919,998
Interest-bearing borrowings	15,811	1,945,571
Current tax liabilities	293,578	44,177
Total liabilities	420,026,290	420,782,349
Net assets	22,205,533	25,380,762
Equity		
Share capital	7,919,828	7,919,828
Other reserves	4,449,264	12,621,027
Retained earnings	9,836,441	4,839,907
Total equity	22,205,533	25,380,762

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 28 April 2023 and signed on its behalf of:

Liu Yuejin
Chief Executive

Liu Yuejin
Director

Jiang Tao
Director

39 Statement of financial position of the Company (Continued)

Note:

	Properties revaluation reserve* HK$'000	Investment revaluation reserve* HK$'000	Capital reserve (Note 1)* HK$'000	Translation reserve* HK$'000	Other reserve (Note 2)* HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2022	385,097	5,594,574	1,546,358	394,998	4,700,000	4,839,906	17,460,933
Profit for the year	-	-	-	-	-	4,996,535	4,996,535
Other comprehensive income for the year:							
Exchange differences on translation of overseas operations	-	-	-	(373,846)	-	-	(373,846)
Net changes in available-for-sale financial assets, net of tax	-	(7,797,724)	-	-	-	-	(7,797,724)
Share of changes in equity of associates and the joint venture	-	-	-	-	-	-	-
Gain on revaluation of properties	(193)	-	-	-	-	-	(193)
Total comprehensive income for the year	(193)	(7,797,724)	-	(373,846)	-	4,996,535	(3,175,228)
At 31 December 2022	384,904	(2,203,150)	1,546,358	21,152	4,700,000	9,836,441	14,285,705

39 Statement of financial position of the Company (Continued)

Note (Continued):

	Properties revaluation reserve* HK$'000	Investment revaluation reserve* HK$'000	Capital reserve (Note 1)* HK$'000	Translation reserve* HK$'000	Other reserve (Note 2)* HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	321,221	6,950,904	1,546,358	(18,759)	4,700,000	3,514,778	17,014,502
Profit for the year	-	-	-	-	-	1,325,128	1,325,128
Other comprehensive income for the year:							
Exchange differences on translation of overseas operations	-	-	-	413,757	-	-	413,757
Net changes in available-for-sale financial assets, net of tax	-	(1,356,330)	-	-	-	-	(1,356,330)
Share of changes in equity of associates and the joint venture	-	-	-	-	-	-	-
Gain on revaluation of properties	63,876	-	-	-	-	-	63,876
Total comprehensive income for the year	63,876	(1,356,330)	-	413,757	-	1,325,128	446,431
At 31 December 2021	385,097	5,594,574	1,546,358	394,998	4,700,000	4,839,906	17,460,933

Note:

1 Capital reserve of HK$1,546,358,000 (2021: reserve of HK$1,546,358,000) represents reserve arising from donated assets received in prior years.

2 Other reserve represents deemed share capital which was fully paid up but issue of shares is in progress as regulated by PRC Law.

* These reserve accounts comprise the other reserves of HK$12,621,027,000 (2021: HK$13,499,724,000) in the statement of financial position of the Company.

40 Commitments

The Group had the following capital commitments at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
Property and equipment	10,911	763
Capital contribution payable to associates	164,847	408,742
Capital contribution payable to joint venture	334,960	334,938
	510,718	744,443

41 Unconsolidated structured entities

(a) The unconsolidated structured entities that the Group has interest in

The Group's interest in unconsolidated structured entities are recorded as securities at fair value through profit or loss and available-for-sale securities. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees.

The Group did not guarantee or provide any financing support for the structured entities that the Group had interest in.

(b) The unconsolidated structured entities that the Group has managed but does not have interest in

As at 31 December 2022, the total net asset values of the unconsolidated structured entities that the Group managed but had no interest were HK$19,782,405,328 (2021: HK$23,377,778,317). The Group's interest in these managed funds was management fee income of HK$78,096,969 (2021: HK$84,755,785) for the year, including outstanding receivable of HK$28,908,355 (2021: HK$28,635,299) as at 31 December 2022. The maximum exposure to loss is equal to the interest shown above.

42 Events occurring after the reporting period

The Group received capital injection of HK$3,500,000 thousand (RMB3,065,230 thousand) from China Life Insurance (Group) Company on 7 April 2023, which is still in progress of authority approval as at the date of the annual report.

43 Approval of the financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2023.

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of China Life Insurance (Overseas) Company Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2021.

Principal activities

The principal activity of the Company, through its branches in Hong Kong and Macau and its subsidiaries in Singapore and Indonesia, continues to be engaged in underwriting long-term insurance policies. The principal activities of the Company's subsidiaries comprise investment holding, property investment, trustee service, training service and insurance brokerage service.

Results and dividends

The Group's profit for the year ended 31 December 2021 and the Group's financial position at that date are set out in the consolidated financial statements on pages 10 to 133.

No dividend (2020: Nil) was paid to its immediate holding company, China Life Insurance (Group) Company in 2021.

Directors

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

WU Shaohua	(appointed on 08 June 2021)
WANG Kai	(resigned on 08 June 2021)
YU Deben	
JIANG Tao	
WANG Junhui	
LIU Qing	(appointed on 28 December 2021)
LANG Kuan	(appointed on 28 December 2021)
KUANG Tao	(resigned on 28 December 2021)
YU Shengquan	(resigned on 28 December 2021)
XU Shiqing	(Independent director)
MAO Yumin	(Independent director)
GUO Yike	(appointed on 27 May 2022)
ZHANG Shengman	(resigned on 27 May 2022)

Directors' interests

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

Directors' interest 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 Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Management contracts

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

Auditor

The financial statements for the year 2021 have been audited by PricewaterhouseCoopers who will retire and offer themselves for re-appointment at the 2022 AGM. PricewaterhouseCoopers has been appointed as new auditor of the Company at the annual general meeting of the Company held on 28 April 2021 upon the retirement of Ernst & Young.

On behalf of the board

....

Yu Deben
Director

Hong Kong, 30 June 2022

Independent Auditor's Report

To the Board of Directors of China Life Insurance (Overseas) Company Limited
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Life Insurance (Overseas) Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 10 to 133, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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羅兵咸永道

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of insurance contract liabilities
- Valuation of level 3 financial instruments
- Impairment for debt securities

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of insurance contract liabilities Refer to Note 2 Summary of Significant Accounting Policies – Insurance and investment contracts (b)(i) Recognition and measurement - insurance contracts, Note 3(a) Critical accounting estimates and judgements - Estimate of future benefit payments and premiums arising from insurance contracts, and Note 29 Insurance contracts and investment contracts with discretionary participation features ("DPF") liabilities to the consolidated financial statements. The Group had insurance contracts and investment contracts with DPF liabilities of HK$297,104 million as at 31 December 2021, representing 67% of the Group's total liabilities. The valuation of insurance contracts and investment contracts with DPF liabilities requires the use of appropriate actuarial methodologies, and also various economic and operational assumptions that are subject to a high degree of management's judgement. Therefore, this is identified as a key audit matter in our audit. The key assumptions used in measuring the insurance contract liabilities include, mortality rates, morbidity rates and valuation interest rate.	We obtained an understanding of the management's controls and processes of valuation of insurance contract liabilities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We involved our actuarial experts in performing all of the following audit procedures: • We obtained an understanding of management's processes and controls of the actuarial valuation business cycle; • We assessed the appropriateness of the valuation methodologies used and, on a sample basis, tested whether they are consistent with the relevant accounting standards and regulatory requirements; • We assessed the reasonableness of the key assumptions used by management including mortality rates, morbidity rates, valuation interest rate; • We evaluated the overall reasonableness of the insurance contract liabilities through trend and movement analysis, analysis of actual experiences against expected results, and analysis of impacts of key assumption changes that are disclosed in the consolidated financial statement; and

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We reviewed the liability adequacy test performed by management to assess the adequacy of the insurance contracts and investment contracts with DPF liabilities. Based on the work performed, we considered the key assumptions and methodologies applied were appropriate for the valuation of insurance contracts and investment contracts with DPF liabilities.
Valuation of level 3 financial instruments Refer to Note 2 Summary of Significant Accounting Policies – Investments and other financial assets, Note 4.3 Fair value hierarchy, and Note 20 Financial assets and financial liabilities to the consolidated financial statements. The Group held financial investments measured at fair value and classified as level 3 for fair value measurement purposes. These level 3 investments included unlisted investment funds and unlisted equities which amounted to HK$27,162 million and HK$4,575 million respectively. The total of these level 3 investments represented 6.8% of the Group's total assets as at the balance sheet date. The valuation of level 3 financial instruments is identified as a key audit matter because of the financial significance of the balances and high degree of estimation uncertainty. The inherent risk in relation to valuation of these investments is considered significant given the complexity and high level of management judgements involved. Management adopted valuation methods including market approach and unobservable inputs such as prices of recent transactions, net asset values ("NAV"), price earning multiple of comparative assets in determining their fair values, and external valuers were involved where necessary.	We performed the following work in relation to fair value measurement of investment funds and equities: • For investments in unlisted investment funds, we understood and evaluated management's approach in estimating their fair value. On a sample basis, we obtained independent confirmations and fund statements from the relevant fund administrators to confirm the investment funds' NAV as at 31 December 2021. We also performed additional procedures to assess the reliability of the fund statements and agreed the NAV per fund statements to audited financial statements where available. • For investments in unlisted equities, we evaluated the appropriateness of valuation approach including the use of any recent transaction price (if any) of the relevant investments. For those investments which the fair value was determined by management using valuation techniques with external valuer's assistance, we evaluated the competence, capabilities and objectivity of the external valuers and we assessed, on a sample basis, the appropriateness of methodologies, key assumptions, and key inputs used in the fair value measurement of these financial assets with reference to industry practice and relevant available market data. • We evaluated the appropriateness of the disclosures, including the levelling of these financial assets. Based on the work performed, we considered the key assumptions and methodologies applied in the

Key Audit Matter	How our audit addressed the Key Audit Matter
	fair value measurement of level 3 financial instruments were reasonable.
Impairment for debt securities Refer to Note 2 Summary of Significant Accounting Policies - Impairment of financial assets and Note 20 Financial assets and financial liabilities to the consolidated financial statements. As at 31 December 2021, the debt securities classified as available-for-sale and held-to-maturity amounted to HK$49,441 million and HK$263,988 million respectively. As at 31 December 2021, the impairment allowance on these debt securities amounted to HK$1,898 million. The Group is required to assess whether there is objective evidence that a financial asset or group of financial assets is impaired. When performing the impairment assessment of these debt securities, management considered a variety of information such as credit rating and default history. We focused on this area because of the size of the balances and the high degree of estimation uncertainty which involves significant management judgements.	We obtained an understanding of the management's controls and procedures of impairment assessment of the Group's debt securities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. <u>Individual assessment</u> • We examined the Group's individual assessment performed by management by corroborating with internally and externally available information about the issuers such as historical repayments and default status, recent news, and credit ratings, to evaluate the issuers' ability to repay and assess whether there is any impairment indicator on a sample basis. For debt securities that were considered to be impaired by management, we also evaluated the appropriateness of the recoverable amount. <u>Collective assessment</u> • We understood and evaluated management's approach in performing the collective assessment. • On a sample basis, we assessed the issuers if there were any objective evidence of impairment and if so, whether any impairment was required. We considered the credit ratings, the payment history and other public information of the issuers. We also considered the market prices of the debt investments as at 31 December 2021. In addition, we evaluated the overall reasonableness of the result of management's assessment based on our industry knowledge and experience. Based on the above and evidence obtained, management's assessment of the impairment for the Group's debt securities are considered to be supportable.

Other Matter - Restriction on Use

This report is intended solely for the information and use of the owners in connection with the transaction as referred to in Note 30 and should not be used by other parties.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors and those charged with governance for the Consolidated Financial Statements

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

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

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. We report our opinion solely to you, as a body, 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TSE, Ka Yan Jessica.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 June 2022

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000 (restated)
Insurance premium revenue	6	59,673,834	68,930,584
Insurance premium ceded to reinsurers		(6,734,301)	(12,292,743)
Net insurance premium revenue		52,939,533	56,637,841
Net investment income	7	21,271,911	18,493,178
Other income	8	85,891	93,163
		74,297,335	75,224,182
Insurance claims and loss adjustment expenses		(92,108,915)	(54,567,925)
Insurance claims and loss adjustment expenses recovered from reinsurers		706,800	913,842
Decrease /(increase) in insurance contract liabilities		20,487,107	(23,826,188)
Increase in reinsurance assets		6,154,384	11,323,356
Net insurance benefits and claims		(64,760,624)	(66,156,915)
Expenses for the acquisition of insurance and investment contracts		(4,867,067)	(3,057,129)
Commissions on reinsurance ceded		156,244	525,538
Other operating expenses	9	(1,912,094)	(1,516,131)
Net expenses		(71,383,541)	(70,204,637)
Results of operating activities		2,913,794	5,019,545
Finance costs	12	(2,398,149)	(2,559,613)
Share of profits/(losses) of associates and joint venture		914,313	(368,385)
Profit before tax		1,429,958	2,091,547
Income tax expense	13	(65,208)	(149,870)
Profit for the year		1,364,750	1,941,677
Attributable to:			
Owners of the parent		1,347,952	1,952,083
Non-controlling interests		16,798	(10,406)
		1,364,750	1,941,677

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000 (restated)
Profit for the year		1,364,750	1,941,677
Other comprehensive income			
Other comprehensive income that may be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(419,335)	3,409,869
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss			
- Net gains on disposal	7	(1,141,672)	(749,888)
- Impairment losses	7	441,300	1,565,129
Income tax effect	28	205,548	(835,289)
		(914,159)	3,389,821
Share of other comprehensive income of associates and joint venture		194,552	(1,762)
Currency translation difference		19,747	-
Net other comprehensive income that may be reclassified to the consolidated statement of profit or loss in subsequent periods:		(699,860)	3,388,059
Other comprehensive income that will not be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Gain/ (loss) on property revaluation	14	249,511	(149,929)
Income tax effect	28	(470)	(192)
		249,041	(150,121)
Re-measurement of defined benefit obligation		267	251
Currency translation difference		186,704	9,311
Net other comprehensive income that will not be reclassified to the consolidated statement of profit or loss in subsequent periods		436,012	(140,559)
Other comprehensive income for the year, net of tax		(263,848)	3,247,500
Total comprehensive income for the year		1,100,902	5,189,177
Attributable to:			
Owners of the parent		1,112,399	5,202,177
Non-controlling interests		(11,497)	(13,000)
		1,100,902	5,189,177

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	31 December 2020 HK$'000 (restated)	1 January 2020 HK$'000 (restated)
Assets				
Property and equipment	14	4,206,286	4,311,321	4,560,275
Investment properties	15	14,744,316	14,501,755	15,015,398
Intangible assets	16	203,718	165,532	144,724
Deferred tax assets	28	24	24	40,373
Statutory deposit	17	1,500	1,500	1,500
Investment in associates	18	4,263,104	3,704,162	10,094,711
Investment in joint venture	19	525,842	491,615	457,109
Reinsurance assets	29	19,804,319	13,701,971	1,749,975
Debt securities				
- Held-to-maturity	20	263,988,316	301,145,808	255,449,923
- Available-for-sale	20	49,440,697	24,571,057	14,931,920
- At fair value through profit or loss	20	2,428,490	3,482,707	7,049,247
Unit trust				
- Available-for-sale	20	35,010,216	32,964,605	62,684,079
- At fair value through profit or loss	20	15,481,565	15,751,760	13,726,769
Equity securities				
- Available-for-sale	20	8,277,113	13,046,479	12,953,143
- At fair value through profit or loss	20	5,472,246	7,843,250	4,249,619
Derivatives				
- At fair value through profit or loss	20	241,553	226,631	17,820
Loans and receivables	21	7,221,278	7,531,985	7,739,867
Other debtors, prepayments and deposits, unsecured	22	3,286,489	1,539,563	1,114,931
Cash and bank deposits	23	35,204,537	32,806,675	25,149,623
Total assets		469,801,609	477,788,400	437,131,006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	31 December 2020 HK$'000 (restated)	1 January 2020 HK$'000 (restated)
Liabilities				
Insurance contract and investment contract with DPF liabilities	29	297,103,920	317,605,274	293,732,163
Interest-bearing borrowings	30	1,932,550	1,931,573	1,943,972
Lease liabilities	31	33,096	43,680	49,073
Amounts due to reinsurers	25	13,256,399	11,051,013	3,060,185
Policyholders' funds on deposit	24	66,116,326	57,488,105	69,642,325
Other insurance liabilities	26	40,650,809	36,878,523	29,079,922
Other payables and accrued charges	27	22,440,120	25,406,060	23,044,016
Derivatives				
- At fair value through profit or loss	20	3,764	946	1,742
Deferred tax liabilities	28	924,622	1,140,083	203,868
Current tax liabilities		40,769	44,811	64,585
Total liabilities		442,502,375	451,590,068	420,821,851
Net assets		27,299,234	26,198,332	16,309,155

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	31 December 2020 HK$'000 (restated)	1 January 2020 HK$'000 (restated)
Equity				
Equity attributable to owners of the parent				
Share capital	32	7,919,828	7,919,828	6,762,435
Other reserves		12,116,478	12,352,031	5,559,330
Retained earnings		7,001,140	5,653,188	3,701,105
		27,037,446	25,925,047	16,022,870
Non-controlling interests		261,788	273,285	286,285
Total equity		27,299,234	26,198,332	16,309,155

The consolidated financial statements on pages 10 to 133 were approved by the Board of Directors on 30 June 2022 and were signed on its behalf:

....	....	....
Yu Deben	Yu Deben	Jiang Tao
Chief Executive	Director	Director

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital HK$'000	Properties revaluation reserve* HK$'000	Investment revaluation reserve* HK$'000	Capital reserve (Note 1)* HK$'000	Translation reserve* HK$'000	Defined benefit obligation revaluation reserve* HK$'000	Other reserve (Note 2)* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	7,919,828	1,473,597	4,479,221	1,546,358	151,860	995	4,700,000	5,653,188	25,925,047	273,285	26,198,332
Profit for the year	-	-	-	-	-	-	-	1,347,952	1,347,952	16,798	1,364,750
Other comprehensive income for the year:											
Exchange differences on translation of overseas operations	-	-	-	-	206,451	-	-	-	206,451	-	206,451
Net changes in available-for-sale financial assets, net of tax	-	-	(885,871)	-	-	-	-	-	(885,871)	(28,288)	(914,159)
Share of change in equity of associates and the joint venture	-	-	194,552	-	-	-	-	-	194,552	-	194,552
Gains on revaluation of properties, net of tax	-	249,041	-	-	-	-	-	-	249,041	-	249,041
Re-measurement of defined benefit obligation	-	-	-	-	-	274	-	-	274	(7)	267
Total comprehensive income for the year	-	249,041	(691,319)	-	206,451	274	-	1,347,952	1,112,399	(11,497)	1,100,902
At 31 December 2021	7,919,828	1,722,638	3,787,902	1,546,358	358,311	1,269	4,700,000	7,001,140	27,037,446	261,788	27,299,234

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital HK$'000	Properties revaluation reserve* HK$'000	Investment revaluation reserve* HK$'000	Capital reserve (Note 1)* HK$'000	Translation reserve* HK$'000	Defined benefit obligation revaluation reserve* HK$'000	Other reserve (Note 2)* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020, as previously reported	6,762,435	1,623,718	1,911,753	205,760	142,549	794	2,497,991	3,724,032	16,869,032	44,382	16,913,414
Prior year adjustments	-	-	(823,235)	-	-	-	-	(22,927)	(846,162)	241,903	(604,259)
At 1 January 2020, as restated	6,762,435	1,623,718	1,088,518	205,760	142,549	794	2,497,991	3,701,105	16,022,870	286,285	16,309,155
Profit for the year	-	-	-	-	-	-	-	1,952,083	1,952,083	(10,406)	1,941,677
Other comprehensive income for the year:											
Exchange differences on translation of overseas operations	-	-	-	-	9,311	-	-	-	9,311	-	9,311
Net changes in available-for-sale financial assets, net of tax	-	-	3,392,465	-	-	-	-	-	3,392,465	(2,644)	3,389,821
Share of change in equity of associates and the joint venture	-	-	(1,762)	-	-	-	-	-	(1,762)	-	(1,762)
Losses on revaluation of properties, net of tax	-	(150,121)	-	-	-	-	-	-	(150,121)	-	(150,121)
Re-measurement of defined benefit obligation	-	-	-	-	-	201	-	-	201	50	251
Total comprehensive income for the year	-	(150,121)	3,390,703	-	9,311	201	-	1,952,083	5,202,177	(13,000)	5,189,177
Issue of shares (Note 32)	-	-	-	-	-	-	4,700,000	-	4,700,000	-	4,700,000
Transfer from other reserve to share capital (Note 32)	1,157,393	-	-	-	-	-	(1,157,393)	-	-	-	-
Transfer from other reserve to capital reserve	-	-	-	1,340,598	-	-	(1,340,598)	-	-	-	-
At 31 December 2020 and 1 January 2021, as restated	7,919,828	1,473,597	4,479,221	1,546,358	151,860	995	4,700,000	5,653,188	25,925,047	273,285	26,198,332

Note:
1 Capital reserve of HK$1,546,358,000 (2020: reserve of HK$1,546,358,000) represents equity contributions arising from donated assets received in prior years.
2 Other reserve represents the capital reserve which was fully paid up but issue of shares was in progress as regulated by PRC Law.
* These reserve accounts comprise the consolidated reserves of HK$12,116,478,000 (2020: reserves of HK$12,352,031,000) in the consolidated statement of financial position.

CHINA LIFE INSURANCE (OVERSEAS) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000 (restated)
Net cash flows used in operating activities	34	(63,316,799)	(56,442,343)
Cash flows from investing activities			
Dividend and distribution received		3,776,009	2,687,285
Interest received		14,663,923	13,377,654
Purchase of items of property, equipment and software	14, 16	(126,126)	(79,321)
Purchase of investment property	15	(9,071)	(7,230)
Proceeds from disposal of items of property, equipment and software	14, 16	20,611	2,929
Proceeds from disposal of investment properties	15	622,529	-
Sales proceeds from disposal and redemption of financial assets		48,904,429	39,686,004
Decrease /(Increase) in deposits with banks with original maturity more than three months		1,945,194	(1,440,968)
Capital contribution to associates and joint venture		(34,227)	(34,506)
Proceeds from disposal of associates		355,371	6,022,164
Net cash flows used in investing activities		70,118,642	60,214,011
Cash flows from financing activities			
Interest paid		(2,398,051)	(2,256,453)
Issue of shares	32	-	4,700,000
Payment of lease liabilities		(9,607)	(17,792)
Net cash flows (used in)/from financing activities		(2,407,658)	2,425,755
Net increase in cash and cash equivalents		4,394,185	6,197,423
Cash and cash equivalents at beginning of year		19,975,450	13,759,366
Effect of foreign exchange rate changes, net		(51,129)	18,661
Cash and cash equivalents at end of year		24,318,506	19,975,450
Analysis of balances of cash and cash equivalents			
Cash and bank deposits as stated in the consolidated statement of financial position	23	35,204,537	32,806,675
Term deposits with original maturity over 3 months but within 1 year	23	(4,701,481)	(1,955,498)
Term deposits with original maturity over 1 year but within 5 years	23	(6,184,550)	(5,545,891)
Term deposit with original maturity over 5 years	23	-	(5,329,836)
Cash and cash equivalents as stated in the consolidated statement of cash flows		24,318,506	19,975,450

1 Corporate and group information

China Life Insurance (Overseas) Company Limited (the "Company") is incorporated in The People's Republic of China. The Company is a wholly-owned subsidiary of China Life Insurance (Group) Company, a company incorporated in The People's Republic of China. The address of the principal place of business of the Company is China Life Centre, Tower A, One HarbourGate, No. 18 Hung Luen Road, Kowloon, Hong Kong. The registered address of the Company is 30AH Block A, World Finance Center, No. 4003 Shennan East Road, Luohu District, Shenzhen, Guangdong 518001, China.

The Company, through its branches in Hong Kong and Macau and its subsidiaries in Singapore and Indonesia, continues to be engaged in underwriting long-term insurance policies.

Information about subsidiaries (together with the Company referred to as the "Group") are set out as follows:

Name of company	Place of incorporation	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
China Life (Overseas) Asset Management Company Limited	Hong Kong	100%	-	Investment holding
China Life Consulting Company Limited	Hong Kong	100%	-	Provision of consultancy services
China Life Trustees Limited	Hong Kong	80%	20%	Provision of trustee services
Daily Gain Company Limited	Hong Kong	100%	-	Property investment
Konco Limited	Hong Kong	100%	-	Investment holding
China Life Insurance (Overseas) Ecommerce Company Limited	Hong Kong	100%	-	Inactive
Sunnoon Development Limited	Hong Kong	100%	-	Property investment
CLT-China Life Overseas Absolute Return Trust Fund	Hong Kong	99.74%	-	Mutual Fund
CLCAG Limited	Cayman Islands	100%	-	Investment holding
China Life Insurance (Singapore) Pte. Ltd	Singapore	100%	-	Underwriting long term insurance policies
China Life International Financial Academy Limited	Hong Kong	100%	-	Provision of training services
PT China Life Insurance Indonesia	Indonesia	80%	-	Underwriting long term

1 Corporate and group information (Continued)

Name of company	Place of incorporation	Percentage of equity attributable to the Group Direct	Percentage of equity attributable to the Group Indirect	Principal activities
ETCL Venture	U.S.	100%	-	Real estate
China Life Frontier Private Investment Fund, L.P.	Cayman Islands	100%	-	Investment holding
Hall Nine Capital	Cayman Islands	100%	-	Investment holding
SinoRock High Dividend Yield Investment Limited Partnership	Cayman Islands	100%	-	Investment holding
Bosera Global Select Funds SPC	Cayman Islands	100%	-	Debt securities fund
Credit Focus Bond Fund	Cayman Islands	100%	-	Debt securities fund
Pinebridge Asian Enhanced Income Fund	Cayman Islands	100%	-	Debt securities fund
ChinaAMC CL Fixed Income Segregated Portfolio	Cayman Islands	100%	-	Debt securities fund
NH CL Buy and Hold Strategy LP	Cayman Islands	100%	-	Debt securities fund
CL Buy and Maintain Fixed Income LP	Cayman Islands	100%	-	Debt securities fund
BNP Paribas Global Diversified Credit	Luxembourg	100%	-	Debt securities fund
Invesco Cayman Fixed Maturity Limited	Cayman Islands	100%	-	Debt securities fund
ChinaAMC CL High Grade Income SP Fund	Cayman Islands	100%	-	Debt securities fund
Amundi SIF – USD Credit Total Return Fund IU D	Cayman Islands	100%	-	Debt securities fund
GAS (Cayman) High Grade Income Fund	Cayman Islands	100%	-	Debt securities fund

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements 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 interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, as modified by the: (i) revaluation of available-for-sale financial assets, (ii) revaluation of financial assets and financial liabilities at fair value through profit or loss, (iii) revaluation of investment properties and land and building, and (iv) valuation of insurance contract and investment contracts with DPF liabilities.

The preparation of these financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 3.

These financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. 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 Company 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 arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the consolidated statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

2.2.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2021

Standards/ Amendments	Content	Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Amendments	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Amendments – Interest Rate Benchmark Reform – Phase 2

The amendments address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark rate. The key reliefs provided by the Phase 2 amendments are as follows:

- Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.

- Hedge accounting. The hedge accounting reliefs will allow most HKAS 39 or HKFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The amendments did not have significant impact on the financial position and performance of the Group as the Group does not have significant amount of final instrument based on the London Interbank Offered Rate ("LIBOR") and the Europe Interbank Offered Rate ("EURIBOR") as at 31 December 2021.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2021 (Continued)

IFRS 16 Amendment – Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted and shall be applied retrospectively.

The amendments did not have significant impact on the financial position and performance of the Group.

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2021 but temporary exemption is applied by the Group

Standards/ Amendments	Content	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018

HKFRS 9 – Financial Instruments

The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Based on the current assessment, the Group expects that the adoption of HKFRS 9 will have a significant impact on the consolidated financial statements. The Group has adopted the temporary exemption permitted in the Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ("HKFRS 4 Amendment") to apply HKAS 39 rather than HKFRS 9, until the effective date of HKFRS 17.

Classification and measurement

HKFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business models (hold to collect contractual cash flows, hold to collect contractual cash flows and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss, based on their respective business models. The Group analysed the contractual cash flow characteristics of financial assets as at 31 December 2021.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2021 but temporary exemption is applied by the Group (Continued)

HKFRS 9 – Financial Instruments (Continued)

Classification and measurement (Continued)

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealised gains and losses on equity instruments currently classified as available-for-sale securities being recorded in profit or loss going forward. Currently, these unrealised gains and losses are recognised in other comprehensive income ("OCI"). If the Group elects to record equity investments at FVOCI, gains and losses would be recognised in retained earnings when the instruments are disposed, except for the received dividends which do not represent a recovery of part of the investment cost.

Impairment

HKFRS 9 replaces the "incurred loss" model with the "expected credit loss" model which is designed to include forward-looking information. The Group is in the process of developing and testing the key models required under HKFRS 9 and analysing the impact on the expected loss provision; the Group believes that the provision for debt instruments of the Group under the "expected credit loss" model would be larger than that under the previous "incurred loss" model.

Temporary exemption from HKFRS 9

According to HKFRS 4 Amendments, the Group made the assessment based on the Group's financial position of 31 December 2015, concluding that the carrying amount of the Group's liabilities arising from contracts within the scope of HKFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts, was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance (including insurance contract and investment contract with DPF liabilities, policyholders' funds on deposit, amounts due to reinsurers, and other insurance liabilities) relative to the total carrying amount of all its liabilities was greater than 90 percent. There had been no significant change in the activities of the Group since then that requires reassessment. Therefore, the Group's activities have been predominantly connected with insurance, meeting the criteria to apply temporary exemption from HKFRS 9.

For the following disclosures, the Group's financial assets are separated into the following two groups:

(i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with HKFRS 9 and are not held for trading or managed on fair value basis, which consist of loans and receivables, other debtors and deposits, debt securities measured at amortised cost, debt securities measured at fair value through other comprehensive income, and cash and bank deposits, and

(ii) financial assets other than those specified in (i), which consist of derivative assets, debt securities measured at fair value through profit or loss, unit trust and equity securities.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2021 but temporary exemption is applied by the Group (Continued)

Temporary exemption from HKFRS 9 (Continued)

The following table shows the fair value and change in fair value of these two groups of financial assets.

	As at 31 December 2021 Fair value HK$'000	For the year ended 31 December 2021 Change in Fair value HK$'000
Financial assets that met SPPI criteria and not held for trading or managed on fair value basis	254,835,521	(4,346,573)
Others	135,915,319	5,320,115
Total	390,750,840	973,542

	As at 31 December 2020 Fair value HK$'000	For the year ended 31 December 2020 Change in Fair value HK$'000
Financial assets that met SPPI criteria and not held for trading or managed on fair value basis	313,037,962	6,384,484
Others	137,409,397	7,609,365
Total	450,447,359	13,993,849

The following table sets out the credit quality analysis for financial assets that meet the SPPI criteria and are not held for trading or managed on fair value basis, except cash and bank deposits, using Standard & Poor's (S&P), Moody's and Fitch's rating. The amounts presented represent carrying amounts determined in accordance with HKAS 39 although this is prior to any impairment allowance for those measured at amortised cost.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.2 New accounting standards and amendments that are effective for the financial year ended 31 December 2021 but temporary exemption is applied by the Group (Continued)

Temporary exemption from HKFRS 9 (Continued)

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000 (restated)
Rating not required(i)	2,663,278	54,955
AAA	2,050,398	4,781,135
AA+ to AA-	10,853,031	10,159,081
A+ to A-	78,807,427	84,639,371
Below A-	77,472,158	83,093,157
Not rated	31,798,156	36,448,197
Total	203,644,448	219,175,896

(i) Mainly including government bonds and policy financial bonds.

Note: As at 31 December 2021, the carrying amount (before adjusting for any impairment allowances) under HKAS 39 and fair value for those SPPI assets which the Group has determined do not have a low credit risk were HK$3,668,136,000 (2020: HK$7,539,521,000) and HK$1,922,020,000 (2020: HK$14,923,221,000) respectively.

Financial assets are considered to have low credit risk if:

- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2021

Standards/ Amendments	Content	Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvements	Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as a Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory date yet determined

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 Reference to the Conceptual Framework

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2021 (Continued)

Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

2.2.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2021 (Continued)

Annual Improvements to HKFRSs 2018-2020 (Continued)

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Amendments to HKAS 1 Classification of Liabilities as a Current or Non-current

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 17 Insurance Contracts

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace the existing HKFRS 4 Insurance Contracts. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

Insurers qualifying for the deferral of HKFRS 9 can apply both HKFRS 17 and HKFRS 9 for the first time to annual reporting periods beginning on or after 1 January 2023. In December 2021, the IASB issued the amendment to IFRS 17, which permit entities that first apply IFRS 17 and HKFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of HKFRS 9 had been applied to that financial asset before. The Group is currently assessing the impact of the implementation of the standard.

2 Summary of significant accounting policies (Continued)

2.3 Investment in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2 Summary of significant accounting policies (Continued)

2.4 Segment reporting

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the operating decision maker - president office for deciding how to allocate resources and for assessing performance.

Operating segment refers to the segment within the Group that satisfies the following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluates the operating results of the segment to make resource allocation decision and to evaluate the business performance; and iii) the Group can obtain relevant financial information of the segment, including financial condition, operating results, cash flows and other financial performance indicators.

2.5 Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2 Summary of significant accounting policies (Continued)

2.5 Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.6 Foreign currency translation

(a) Functional currency

Items included in the financial statements of each of the Group's entities 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 HKD, which is the functional currency of the Hong Kong branch of the Company through which a substantial proportion of the Group's business has been carried out.

(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 valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities, except for below, denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in equity unless the asset is credit impaired.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statement of profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the investment revaluation reserve in equity.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than Hong Kong dollar are translated into the Hong Kong dollars as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in overseas operations, and of borrowings are taken to shareholders' equity. When an overseas operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale. Overseas operations are operations carried out outside Hong Kong and Macau.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies (Continued)

2.7 Property and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. On disposal of a revealed asset, the relevant portion of the "other reserves" realised in respect of previous valuations is transferred to "retained earnings" as a movement in reserves.

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 carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the consolidated statement of profit or loss.

Depreciation on property and equipment are calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Owned assets:

Buildings	50-60 years
Leasehold improvements	12.5% - 33.3%
Computer equipment	25%
Office machinery and furniture	20%
Motor vehicles	20%

Right-of-use assets:

Properties	Over the shorter of the lease term and 50 years
Leasehold Land	Over the lease term

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 and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2 Summary of significant accounting policies (Continued)

2.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation on intangible assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Computer software	12.5% - 33%

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.9 Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values determined annually by external independent valuer. Gains or losses arising from changes in the fair value of investment property are included in the consolidated statement of profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year in which the item is derecognised.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with note 2.7 up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with note 2.7.

2 Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.11 Investments and other financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

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 initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss.

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified into the "financial assets held for trading" category, at inception if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the consolidated statement of profit or loss in the period in which they arise.

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables financial assets are carried at amortised cost using the effective interest method.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Group's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss as net realised gains or impairment losses on financial assets.

Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the consolidated statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive payments is established. Both are included in the investment income line.

2 Summary of significant accounting policies (Continued)

2.12 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2 Summary of significant accounting policies (Continued)

2.12 Financial liabilities (Continued)

(b) Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost 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 finance costs in the consolidated statement of profit or loss.

2.13 Derecognition of financial liabilities

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

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

2.14 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

2 Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

(a) Financial assets carried at amortised cost (Continued)

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in payments;

(iii) It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

(iv) The disappearance of an active market for that financial asset because of financial difficulties; or

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

- adverse changes in the payment status of issuers or debtors in the Group; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2 Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

(a) Financial assets carried at amortised cost (Continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of profit or loss.

(b) Financial assets carried at fair value

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increase in their fair value after impairment are recognised directly in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

(b) Financial assets carried at fair value (Continued)

The determination of what is "significant" or "prolonged" requires judgement. In evaluating whether a decline in value is impairment for equity securities, the Group also considers the extent or the duration of the decline. The quantitative factors include the following:

(i) the market price of the equity securities was more than 50% below their cost at the reporting date;
(ii) the market price of the equity securities was more than 20% below their cost for a period of at least six months at the reporting date; and
(iii) the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.
In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of profit or loss. Impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

2.15 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Summary of significant accounting policies (Continued)

2.18 Insurance and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and 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:

- the performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
- the profit or loss of the Group, fund or other entity that issues the contract.

(b) Recognition and measurement

Insurance contracts and investment contracts of the Group are classified into the following categories. The measurement and recognition policy are set out below:

(i) Insurance contracts

Premiums are recognised as revenue when they become payable by the policyholders. The Group follows the Hong Kong, Macau, Singapore and Indonesia regulatory requirements to measure its insurance contract liabilities. The liabilities arising from insurance contracts are calculated using an adjusted net level premium reserve method based on current assumptions on mortality rates, morbidity rates, discount rates, expense assumptions, and investment return including a margin for adverse deviation. The liability at individual policy level is subject to a minimum of surrender value.

(ii) Investment contracts with DPF

Premiums are recognised as revenue when they become payable by the policyholders. Investment contracts with DPF that are Class G business include a discretionary dividend element in the determination of the credit rate to policyholders' accounts. The liability for these contracts is determined using a retrospective calculation method.

2 Summary of significant accounting policies (Continued)

2.18 Insurance and investment contracts (Continued)

(b) Recognition and measurement (Continued)

(ii) Investment contracts with DPF (Continued)

Under this method, the liability represents an account balance based on the premiums received to date plus interest or bonus credited to the policyholders less deduction for insurance benefits and policy charges, such as insurance administration and surrenders.

(iii) Investment contracts without DPF

Investment contracts without DPF are not considered to be insurance contracts and are accounted for as financial liabilities.

The financial liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract. Subsequent measurement of the financial liability is carried at amortised costs using the effective interest rate method.

(c) Liability adequacy test

At the end of each reporting period, an assessment is made to determine whether the recognised liabilities for insurance contracts and investment contracts with DPF are adequate. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of profit or loss by establishing a provision for losses arising from the liability adequacy test.

(d) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more underlying contracts issued by the Group and that meet the definition of an insurance contract are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts in Note 2.18(b)(i).

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Amount due to reinsurers are primarily reinsurance deposits and premiums payable for reinsurance contracts held and are recognised as an expense when due.

The Group assesses whether the reinsurance contracts contain a deposit component and whether all obligations and rights arising from the deposit component has been recognised. To the extent that the obligations and rights from the deposit components have not been recognised, and that the deposit component can be measured separately, the deposit component would be unbundled and would be accounted for under HKAS 39.

2 Summary of significant accounting policies (Continued)

2.18 Insurance and investment contracts (Continued)

(d) Reinsurance contracts held (Continued)

The Group assesses its reinsurance assets for impairment and if there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated following a method similar to the one used for these financial assets as disclosed in Note 2.14(a).

(e) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from brokers and insurance contract holders. Interest is accrued based on contractual terms on the payables that are interest-bearing.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated following a method similar to the one used for the loans and receivables as disclosed in Note 2.15(a).

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax (Continued)

Deferred income tax assets and deferred income tax liabilities are offset if and only if the Group has a legally enforceable right to set off current income tax assets and current income tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Employee benefits - Pension obligations

Retirement benefits schemes - Defined Contribution Plans

The Group pays contributions to privately administered defined contribution pension insurance plans. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay an employee the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies (Continued)

2.21 Other revenue or income

Revenue from contracts with customers under HKFRS 15

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Provision of trustee services

Revenue from the provision of trustee services is recognised over time, as the customer simultaneously receives and consumes the benefits of the services.

(c) Insurance brokerage business

Commission from insurance brokerage is recognised as revenue at the point in time when the underlying insurance policies become effective.

Revenue from other sources

Rental income on operating leases is recognised on a time proportion basis over the lease terms.

2 Summary of significant accounting policies (Continued)

2.21 Other revenue or income (Continued)

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the holders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.22 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Leasehold land is shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Other right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease terms.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with note 2.9".

2 Summary of significant accounting policies (Continued)

2.22 Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2 Summary of significant accounting policies (Continued)

2.22 Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in net investment income in the consolidated statement of profit or loss due to its investment nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. The Group does not have leases classified as finance leases.

2.23 Dividends

Dividend distribution to the Company's shareholder 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 directors.

2.24 Unconsolidated structured entities

Structured entities are those that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Voting rights relate to administrative tasks. Relevant activities are directed by means of contractual arrangements.

The Group considers the voting rights and other similar rights afforded to other parties in these funds (investors, independent board of directors, or trustees), including the rights to remove the Group or its group entities as fund manager, liquidate the funds, or redeem holdings in the funds (if such rights are equivalent to liquidating the fund) and concludes as to whether these rights are the dominant factor in deciding who controls the fund.

2 Summary of significant accounting policies (Continued)

2.25 Fair value measurement

The Group measures its land and building, investment properties, debt securities at fair value through profit or loss, debt securities available-for-sale, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 Summary of significant accounting policies (Continued)

2.26 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.27 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.28 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

2 Summary of significant accounting policies (Continued)

2.28 Related parties (Continued)

(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.

2.29 Contingent liability

A contingent liability is disclosed in respect of possible future payments. To the end of the reporting period, no provision has been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

3 Critical accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

The determination of the liabilities under insurance contracts is dependent on estimates made by the Group, in particular with regard to mortality, morbidity and investment returns. The Group bases these estimates on past experience adjusted for new trends, current market conditions and future expectations. As such the liabilities for future benefit payments and premiums arising from insurance contracts may not represent the ultimate amounts paid out to policyholders. For example:

3 Critical accounting estimates and judgements (Continued)

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

- The estimated number of deaths and the rates of diagnosis of critical illnesses determine the value of the benefit payments and the value of the valuation premiums. The Group bases its mortality estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience, and morbidity estimates are derived from reinsurer information. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality and morbidity being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality and morbidity 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.

- Estimates are also made as to future investment income arising from the assets backing insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

(b) Impairment of held-to-maturity financial assets

For impairment of held-to-maturity financial assets, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that objective evidence of impairment does not exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The management exercised significant judgements on the credit risk assessment as well as both the timing of recognition of impairment and the estimation of the size of any such impairment

(c) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Group has a positive intention and ability to hold the assets to maturity as held-to-maturity investments. In making this judgement, the Group evaluates its intention and ability to hold such investments until maturity. If the Group fails to hold these investments to maturity other than for certain specific circumstances, the Group would have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale investments, as such portfolio of investments would be deemed to have been tainted. This would result in the held-to-maturity investments being measured at fair value instead of at amortised cost.

(d) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation technique. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions (see Note 4.3).

3 Critical accounting estimates and judgements (Continued)

(e) Fair value of land and building and investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(i) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs (see Notes 14 and 15).

(f) Income tax

The Group is subject to income tax in numerous jurisdictions. During the normal course of business, certain transactions and activities for which the ultimate tax determination is uncertain, the Group needs to exercise significant judgement when determining the income tax. If the final settlement results of the tax matters are different from the amounts recorded, these differences will impact the final income tax expense and deferred tax for the period.

(g) Determination of control over investee

The Group applies its judgement to determine whether the control indicators indicate that the Group controls structured entities such as funds. The Group issues certain structured entities (e.g., funds), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity. As at 31 December 2021, the Group has consolidated some funds issued and managed by the Company's subsidiary.

4 Management of insurance and financial risk

The Group issues contracts that transfer insurance risk and financial risk. This section summarises these risks and the way the Group manages them.

4.1 Insurance risks

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

4 Management of insurance and financial risk (Continued)

4.1 Insurance risks (Continued)

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by the following major factors:

- For contracts where death or diagnosis of critical illness are the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.
- For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.
- For contracts where survival is the insured risk, the most significant factor is unexpected improvement in medical science and social conditions that would increase longevity.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipt

Uncertainty in the estimation of future benefit payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Group currently does not have sufficient and credible claim experience to produce a credible mortality and morbidity studies; hence, the best estimate of future mortality and diagnosis of critical illness are based on standard industry tables and/or reinsurer information, adjusted where appropriate to reflect the Group's own experience.

(c) Risk management for mitigating insurance risk

The Group manages the above risks through its underwriting strategy, proactive claims handling and revision of insurance risk charges.

- The underwriting strategy is intended to ensure that the risks are well understood and appropriate pricing performed. The considerations of personal history, family history and lifestyle of the applicants are included in the Group's underwriting procedures. To reflect the health condition, family medical history and the lifestyle of the applicants, additional premium is charged for substandard life insurance risks, or the extra hazards (e.g., aviation) are excluded.
- The Group charges for mortality for unit linked policies. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.
- The risk of excessive mortality is mitigated through reinsurance arrangements.

4 Management of insurance and financial risk (Continued)

4.1 Insurance risks (Continued)

(d) Concentration of insurance risks

The table below presents the Group's major region of insurance contracts:

	2021		2020	
	HK$'000	%	HK$'000	%
Insurance premium revenue				
Hong Kong	46,987,068	78.7%	56,830,440	82.4%
Macau	12,134,492	20.3%	11,561,881	16.8%
Singapore	531,230	0.9%	521,015	0.8%
Indonesia	23,556	0.1%	21,592	0.0%
Elimination	(2,512)	0.0%	(4,344)	0.0%
Total	59,673,834	100.0%	68,930,584	100.0%
Insurance claims and loss adjustment expenses				
Hong Kong	75,794,033	82.3%	44,055,031	80.7%
Macau	15,726,474	17.1%	10,518,256	19.3%
Singapore	589,149	0.6%	2,500	0.0%
Indonesia	455	0.0%	870	0.0%
Elimination	(1,196)	0.0%	(8,732)	0.0%
Total	92,108,915	100.0%	54,567,925	100.0%
Insurance contract and Investment contract with DPF liabilities				
Hong Kong	241,068,206	81.2%	260,028,682	81.9%
Macau	53,898,903	18.1%	55,363,243	17.4%
Singapore	2,098,327	0.7%	2,205,739	0.7%
Indonesia	63,675	0.0%	30,418	0.0%
Elimination	(25,191)	0.0%	(22,808)	0.0%
Total	297,103,920	100.0%	317,605,274	100.0%

4 Management of insurance and financial risk (Continued)

4.2 Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important financial risks are market risk, credit risk and liquidity risk. Market risks include interest rate risk, currency risk and other price risk.

(a) Market risk

(i) Interest-rate risk

The Group has certain in-force insurance contracts that have benefit payments that are fixed and guaranteed at the inception of the contract. The Group's primary financial risk on these contracts is the risk that investment income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

The Group also has certain in force investment contracts with DPF. For these contracts, the Group only bears financial risk in relation to the guaranteed benefits payable. The Group does not bear interest rate risk in relation to the discretionary benefit component as the level of discretionary benefit can be altered by the Group.

The Group manages this risk by monitoring and adjusting the composition of its debt securities portfolio, including the duration of the securities, the investment yields, and the percentage investment in fixed and variable interest instruments.

The sensitivity analysis below illustrates the impact of a change of interest rate to the profit before tax and equity of the Group, mainly as a result of higher or lower interest income on floating rate cash and bank deposits, statutory deposits, debt securities and the fair value losses or gains on debt securities assets at fair value through profit or loss.

	Financial impact			
	Profit before tax 2021 HK$'000	Equity 2021 HK$'000	Profit before tax 2020 HK$'000	Equity 2020 HK$'000
Interest rate + 0.5%	934,971	(712,549)	211,817	(560,774)
Interest rate - 0.5%	(1,295,775)	475,929	(339,002)	457,204

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(a) Market risk (Continued)

(ii) Currency risk

The investment portfolios supporting the Group's insurance and investment contracts are mainly denominated in US dollar and Hong Kong dollar, whereas the liabilities arising from insurance and investment contracts are mainly denominated in Hong Kong dollar. The two currencies are currently pegged. The Group considers there is no significant transactional currency exposures. The Group consider that the currency risk in Singapore and Indonesia is not significant.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities and unit trust. The management manages this exposure by maintaining a portfolio of investments with different risk profile, and by investing only a certain percentage of assets in equity securities and unit trust.

A 10% increase in the prices of the investments would result in the increase in net profit of HK$1,971 million (2020: HK$2,206 million) and in equity of HK$6,424 million (2020: HK$6,961 million) respectively.

(b) Credit risk

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

- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance policyholders,
- amounts due from insurance intermediaries, and
- counterparty risk with respect to debt instruments and derivative assets.

The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to regular reviews. Limits on the level of credit risk by category are reviewed and approved regularly by management.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(b) Credit risk (Continued)

The Group insisted on a prudent investment philosophy and carried out comprehensive risk management to prevent various investment risks. Based on a disciplined and scientific internal rating system and a multi-dimensional management mechanism of risk limits, the Group scrutinized credit profiles of targets and risk exposure concentration before investment in a prudent manner and carried out ongoing tracking after investment, effectively managing the credit risks through early identification, early warning, and early disposal.

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 a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis.

Policy loans and most of premium receivables are collateralised by their policies' cash value according to the terms and conditions of policy loan contracts and policy contracts, respectively.

The maximum credit risk for financial assets recognised on the consolidated statement of financial position is the carrying amount less, where applicable, any provision for doubtful debts.

Except held-to-maturity debt securities and loans and receivables, the financial assets below are neither past due nor impaired.

	2021 HK$'000	2020 HK$'000 (restated)
Debt securities		
- Held to maturity		
Impaired	101,966	300,709
Neither past due nor impaired	263,886,350	300,845,099
- Available for sale	49,440,697	24,571,057
- At fair value through profit or loss	2,428,490	3,482,707
Loans and receivables		
- Neither past due nor impaired	7,221,278	7,530,812
- Past due within 90 days but not impaired	-	1,173
Reinsurance assets	19,804,319	13,701,971
Derivative		
- At fair value through profit or loss	241,553	226,631
Other debtors, prepayments and deposits	3,286,489	1,539,563
Cash and bank deposits*	35,204,537	32,806,675
At 31 December	381,615,679	385,006,397

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(b) Credit risk (Continued)

The financial assets above, except for cash and bank deposits, are analysed in the table below using Standard & Poor's (S&P), Moody's and Fitch's rating.

	2021 HK$'000	2020 HK$'000 (restated)
AAA	1,646,289	4,812,143
AA+ to AA-	8,894,414	11,274,145
A+ to A-	88,032,381	124,728,346
BBB+ to BBB-	170,335,639	111,145,339
Below BBB-	21,670,888	39,465,604
Not rated	55,831,531	60,774,145
At 31 December	346,411,142	352,199,722

* Cash and bank deposits represented amounts from creditworthy banks.

(c) Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from claims arising from benefit payments (i.e., maturity, claims and surrender benefits). Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. In order to manage this risk, management sets limits on each type of invested assets so that adequate liquid assets are in place to cover maturities, claims and surrenders at unexpected levels of demand. The Group regularly reviews the level of each type of invested assets as well as expected future cash flows.

The Group manages the liquidity risk by monitoring the contractual cash inflows from the assets and expected cash outflows from insurance liabilities for the next five years. The maturity analysis presented in the tables below represents the estimated maturity. The estimated maturity for insurance contracts is proportionate to their carrying values based on projections of estimated cash flows. A maturity based on the earliest contractual repayment date would present the insurance contract and investment contract liabilities as falling due in the "less than 1 year" period in the table.

The amounts in the tables below for insurance and investment contracts in each column are the undiscounted cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflows from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, the lapse rate, the loss ratio of short-term insurance contracts, expense and other assumptions. Actual experience may differ from estimates.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Not stated maturity HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Total HK$'000
As at 31 December 2021								
Assets								
Reinsurance assets	-	74,876	10,428,754	9,208	1,521,414	2,758,609	5,011,458	19,804,319
Debt securities								
- Held-to-maturity	-	9,071,073	9,034,481	6,588,420	12,571,769	17,020,678	209,701,895	263,988,316
- Available-for-sale	-	2,568,198	4,723,467	4,511,557	5,480,573	1,677,600	30,479,302	49,440,697
- At fair value through profit or loss	-	120,996	132,113	71,961	881,445	66,275	1,155,700	2,428,490
Unit trust								
- Available-for-sale	35,010,216	-	-	-	-	-	-	35,010,216
- At fair value through profit or loss	15,481,565	-	-	-	-	-	-	15,481,565
Equity securities								
- Available-for-sale	8,277,113	-	-	-	-	-	-	8,277,113
- At fair value through profit or loss	5,472,246	-	-	-	-	-	-	5,472,246
Derivatives								
- At fair value through profit or loss	-	-	-	-	241,553	-	-	241,553
Loans and receivables	-	5,238,315	-	1,395,225	587,738	-	-	7,221,278
Other debtors, prepayments and deposits	-	3,286,489	-	-	-	-	-	3,286,489
Cash and bank deposits	18,823,378	10,196,609	3,678,536	244,660	-	2,261,354	-	35,204,537
Total	83,064,518	30,556,556	27,997,351	12,821,031	21,284,492	23,784,516	246,348,355	445,856,819

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Not stated maturity HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Total HK$'000
As at 31 December 2021								
Liabilities								
Insurance contracts and investment contract with DPF liabilities	7,624,910	11,543,858	31,245,175	43,047,106	39,890,720	53,587,481	110,164,670	297,103,920
Interest-bearing borrowings	-	65,297	65,297	65,297	65,297	65,297	1,606,065	1,932,550
Lease liabilities	-	23,652	9,444	-	-	-	-	33,096
Amounts due to reinsurers	230,088	30,756	12,367,646	-	-	-	627,909	13,256,399
Policyholders' funds on deposits	-	6,438,311	10,813,993	13,653,223	21,475,397	9,739,916	3,995,486	66,116,326
Other insurance liabilities	40,634,699	15,437	-	589	42	28	14	40,650,809
Other payables and accrued charges	-	22,440,120	-	-	-	-	-	22,440,120
Derivative financial instruments	-	3,764	-	-	-	-	-	3,764
Total	48,489,697	40,561,195	54,501,555	56,766,215	61,431,456	63,392,722	116,394,144	441,536,984

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Not stated maturity HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Total HK$'000
As at 31 December 2020, as restated								
Assets								
Reinsurance assets	-	75,607	15,132	7,759,029	1,511	8,537	5,842,155	13,701,971
Debt securities								
- Held-to-maturity	-	7,814,801	10,503,066	12,572,669	11,147,884	17,869,691	241,237,697	301,145,808
- Available-for-sale	-	2,035,455	1,871,142	3,184,145	973,086	2,227,036	14,280,193	24,571,057
- At fair value through profit or loss	-	49,613	261,428	249,371	199,222	1,295,323	1,427,750	3,482,707
Unit trust								
- Available-for-sale	20,544,491	-	3,303,598	2,252,282	435,324	4,074,144	2,354,766	32,964,605
- At fair value through profit or loss	10,075,617	-	-	1,498,751	-	-	4,177,392	15,751,760
Equity securities								
- Available-for-sale	13,046,479	-	-	-	-	-	-	13,046,479
- At fair value through profit or loss	7,843,250	-	-	-	-	-	-	7,843,250
Derivatives								
- At fair value through profit or loss	-	29,602	199	-	-	196,830	-	226,631
Loans and receivables	-	5,685,561	-	-	1,260,323	586,101	-	7,531,985
Other debtors, prepayments and deposits	-	1,539,563	-	-	-	-	-	1,539,563
Cash and bank deposits	19,769,061	5,182,192	2,881,165	3,557,547	237,880	-	1,178,830	32,806,675
Total	71,278,898	22,412,394	18,835,730	31,073,794	14,255,230	26,257,662	270,498,783	454,612,491

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

	Not stated maturity HK$'000	Less than 1 year HK$'000	1 year to 2 years HK$'000	2 years to 3 years HK$'000	3 years to 4 years HK$'000	4 years to 5 years HK$'000	5 years or above HK$'000	Total HK$'000
As at 31 December 2020, as restated								
Liabilities								
Insurance contracts and investment contract with DPF liabilities	3,067,936	53,950,147	29,598,721	39,482,777	50,544,078	46,686,914	94,274,701	317,605,274
Interest-bearing borrowings	-	64,708	64,708	64,708	64,708	64,708	1,608,033	1,931,573
Lease liabilities	-	16,833	26,847	-	-	-	-	43,680
Amounts due to reinsurers	-	147,809	-	10,275,295	-	-	627,909	11,051,013
Policyholders' funds on deposits	2,178	8,561,567	14,898,712	9,067,616	17,844,405	3,578,641	3,534,986	57,488,105
Other insurance liabilities	36,870,605	7,281	559	38	27	13	-	36,878,523
Other payables and accrued charges	-	25,406,060	-	-	-	-	-	25,406,060
Derivative financial instruments	-	946	-	-	-	-	-	946
Total	39,940,719	88,155,351	44,589,547	58,890,434	68,453,218	50,330,276	100,045,629	450,405,174

Notes:
(1) Unit trust and equity securities with no fixed maturity are equities which the Group has the choice to call. Other financial liabilities with no fixed maturity are payables on demand as the counterparty has a choice of when the amount is paid.

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(c) Liquidity risk (Continued)

Notes (Continued):

(2) The amounts set forth in the tables above for insurance and investment contracts in each column are the undiscounted cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflows from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, the loss ratio of short-term insurance contracts, expense and other assumptions. Actual experience may differ from estimates.

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts 2021 HK$'000	Fair values 2021 HK$'000	Carrying amounts 2020 HK$'000 (restated)	Fair values 2020 HK$'000 (restated)
Financial assets				
Debt securities				
- Held-to-maturity	265,064,461	286,276,621	301,145,808	331,359,059
Financial liabilities				
Interest-bearing borrowings	1,932,550	1,932,550	1,931,573	1,931,573

Management has assessed that the fair values of cash and cash equivalents, amount with affiliates, other debtors and deposit, other insurance liabilities and other payables and accrued charges approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

As at 31 December 2021

	Fair value measurement using Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	1,735,719	-	3,736,527	5,472,246
- Debt securities	519,255	1,909,235	-	2,428,490
- Unit trust	-	5,157,479	10,324,086	15,481,565
- Derivatives	-	241,553	-	241,553
Available-for-sale financial assets				
- Equity securities	7,438,403	-	838,710	8,277,113
- Debt securities	49,440,697	-	-	49,440,697
- Unit trust	-	18,172,663	16,837,553	35,010,216
	59,134,074	25,480,930	31,736,876	116,351,880
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	3,764	-	3,764
	-	3,764	-	3,764

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	3,022,998	-	4,820,252	7,843,250
- Debt securities	1,307,758	2,174,949	-	3,482,707
- Unit trust	-	6,428,064	9,323,696	15,751,760
- Derivatives	-	226,631	-	226,631
Available-for-sale financial assets				
- Equity securities	12,219,586	-	826,893	13,046,479
- Debt securities	23,655,592	915,465	-	24,571,057
- Unit trust	-	18,258,985	14,705,620	32,964,605
	40,205,934	28,004,094	29,676,461	97,886,489
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	946	-	946
	-	946	-	946

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

The fair values of listed investments are based on quoted market prices.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2.

If one or more of the significant inputs is not based on observable market data, the instruments are included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Binomial option pricing model in valuing convertible bonds and related options.
- Other techniques, including discounted cash flows, market comparable companies, net asset value.

Certain key assumptions used as inputs to the above techniques, including projection of future cash flows from the financial instruments, and probability distribution of reference events, are not observable market data, and therefore are subject to significant judgments.

The fair values of unlisted private equity funds are based on the reported net asset value ("NAV") in their financial statements. Management has obtained the most recent audited financial statements that are available from investees and considered various factors when assessing whether the reported NAV represents the fair value of the investments. These factors include the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investments, and other relevant factors. The total fair value of those financial assets whose fair value was determined based on NAV is HK$4,575,237,000 (2020: HK$ 5,647,145,000).

4 Management of insurance and financial risk (Continued)

4.3 Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input HK$'000
Unlisted equity investments fair value through profit or loss	Market comparable companies approach	Marketability Discount Price-to-Earnings Ratio	2021:20% to 30% (2020: 10% to 20%)	1% (2020: 1%) increase in marketability discount would result in decrease in fair value by HK$30,420 (2020: HK$46,166)

The discount for lack of marketability represents the amounts of discounts determined by the Group that market participants would take into account when pricing the investments.

The movements in fair value measurements in level 3 during the year are as follows:

Financial assets:

	2021 HK$'000	2020 HK$'000
At 1 January	29,676,461	34,498,338
Total gains recognised in the consolidated statement of profit or loss included in net investment income	116,211	2,053,731
Total gains/(losses) recognised in other comprehensive income	143,007	1,497,885
Addition	4,164,192	2,586,967
Disposal	(3,543,497)	(10,960,460)
Transfer from Level 2	1,180,502	-
At 31 December	31,736,876	29,676,461

Moreover, the Group made addition in level 3 unit trust investments from new subscription and capital call on current investments, classified under fair value through profit or loss and available-for-sale financial assets amounted for HK$698,453,000 and HK$3,465,739,000 (2020: HK$284,708,000 and HK$2,302,259,000) respectively. In opposed, the Group made disposal in level 3 unit trust investments amounted for HK$3,543,497,000 (2020: HK$10,960,460,000) in aggregate during the year.

5 Operating segment information

The operating segments have been based on the reports reviewed by executive directors that are used to make strategic decisions. The executive directors consider the business from a product perspective as follows:

The life insurance segment provides life insurance products and services to customers in Hong Kong, Macau, Singapore and Indonesia. The Group's key business sectors cover life insurance, health and accident insurance, annuity, linked long-term businesses, etc., in the overseas market.

The remaining operations of the Group, together with consolidation adjustments, are included in trust management and other segment.

5 Operating segment information (Continued)

	Year ended 31 December 2021				
	Life insurance HK$'000	Trust Management HK$'000	Other segment HK$'000	Elimination HK$'000	Total HK$'000
Net insurance premium revenue	52,939,533	-	-	-	52,939,533
Net investment income	21,170,981	13,195	378,200	(290,465)	21,271,911
Other income	101	84,755	1,035	-	85,891
	74,110,615	97,950	379,235	(290,465)	74,297,335
Net insurance benefits and claims	64,760,624	-	-	-	64,760,624
Expenses for the acquisition of insurance and investment contracts	4,866,959	-	108	-	4,867,067
Commissions on reinsurance ceded	(156,244)	-	-	-	(156,244)
Other operating expenses	1,536,553	66,992	599,014	(290,465)	1,912,094
Net expenses	71,007,892	66,992	599,122	(290,465)	71,383,541
Results of operating activities	3,102,723	30,958	(219,887)	-	2,913,794
Finance costs	(2,208,964)	-	(189,185)	-	(2,398,149)
Share of profits/(losses) of associates and joint venture	584,418	-	329,895	-	914,313
Profit before tax	1,478,177	30,958	(79,177)	-	1,429,958
Income tax expense	(60,275)	(4,933)	-	-	(65,208)
Profit for the year	1,417,902	26,025	(79,177)	-	1,364,750
Other comprehensive income, net of tax	(459,383)	-	195,535	-	(263,848)
Total comprehensive income for the year	958,519	26,025	116,358	-	1,100,902
Profit before tax includes:					
Interest income	14,529,523	1,612	36,757	(208,025)	14,359,867
Depreciation and amortisation	72,698	325	109,695	-	182,718

5 Operating segment information (Continued)

	Year ended 31 December 2021				
	Life insurance HK$'000	Trust management HK$'000	Other segment HK$'000	Elimination HK$'000	Consolidated statement of financial position HK$'000
Assets					
Property and equipment	262,465	331	3,943,490	-	4,206,286
Investment properties	338,960	-	14,405,356	-	14,744,316
Intangible assets	33,550	402	169,766	-	203,718
Investment in associates	3,808,865	-	454,239	-	4,263,104
Investment in joint ventures	525,842	-	-	-	525,842
Financial assets	331,749,783	354,954	48,235,459	-	380,340,196
Other	63,656,731	54,614	1,806,802	-	65,518,147
Total assets	400,376,196	410,301	69,015,112	-	469,801,609
Liabilities					
Insurance contract and investment contract with DPF liabilities	297,103,920	-	-	-	297,103,920
Interest-bearing borrowings	1,932,550	-	-	-	1,932,550
Lease liabilities	33,096	-	-	-	33,096
Amounts due to reinsurers	13,256,399	-	-	-	13,256,399
Policyholders' funds on deposit	66,116,326	-	-	-	66,116,326
Other insurance liabilities	40,650,809	-	-	-	40,650,809
Other payables and accrued charges	2,623,772	30,094	19,786,254	-	22,440,120
Other	972,794	(3,348)	(291)	-	969,155
Total liabilities	422,689,666	26,746	19,785,963	-	442,502,375

5 Operating segment information (Continued)

	Year ended 31 December 2020 (restated)				
	Life insurance HK$'000	Trust Management HK$'000	All other segments HK$'000	Elimination HK$'000	Total HK$'000
Net insurance premium revenue	56,637,841	-	-	-	56,637,841
Net investment income	18,404,670	4,867	367,233	(283,592)	18,493,178
Other income	2,480	88,671	2,012	-	93,163
	75,044,991	93,538	369,245	(283,592)	75,224,182
Net insurance benefits and claims	66,156,915	-	-	-	66,156,915
Expenses for the acquisition of insurance and investment contracts	3,057,038	-	91	-	3,057,129
Commissions on reinsurance ceded	(525,538)	-	-	-	(525,538)
Other operating expenses	1,271,446	42,127	486,150	(283,592)	1,516,131
Net expenses	69,959,861	42,127	486,241	(283,592)	70,204,637
Results of operating activities	5,085,130	51,411	(116,996)	-	5,019,545
Finance costs	(2,361,286)	-	(198,327)	-	(2,559,613)
Share of profits/(losses) of associates and joint venture	(891,998)	-	523,613	-	(368,385)
Profit before tax	1,831,846	51,411	208,290	-	2,091,547
Income tax expense	(141,617)	(8,221)	(32)	-	(149,870)
Profit for the year	1,690,229	43,190	208,258	-	1,941,677
Other comprehensive income, net of tax	2,963,891	-	283,609	-	3,247,500
Total comprehensive income for the year	4,654,120	43,190	491,867	-	5,189,177
Profit before tax includes:					
Interest income	13,931,000	2,851	38,659	(208,025)	13,764,485
Depreciation and amortisation	68,406	1,157	99,758	-	169,321

5 Operating segment information (Continued)

	Year ended 31 December 2020 (restated)				
	Life insurance HK$'000	Trust management HK$'000	Other segment HK$'000	Elimination HK$'000	Consolidated statement of financial position HK$'000
Assets					
Property and equipment	253,553	392	4,057,376	-	4,311,321
Investment properties	327,849	-	14,173,906	-	14,501,755
Intangible assets	165,119	413	-	-	165,532
Investment in associates	3,263,953	-	440,209	-	3,704,162
Investment in joint ventures	491,615	-	-	-	491,615
Financial assets	349,559,838	333,781	49,138,678	-	399,032,297
Other	53,100,849	41,149	2,439,720	-	55,581,718
Total assets	407,162,776	375,735	70,249,889	-	477,788,400
Liabilities					
Insurance contract and investment contract with DPF liabilities	317,605,274	-	-	-	317,605,274
Interest-bearing borrowings	1,931,573	-	-	-	1,931,573
Lease liabilities	43,680	-	-	-	43,680
Amounts due to reinsurers	11,051,013	-	-	-	11,051,013
Policyholders' funds on deposit	57,488,105	-	-	-	57,488,105
Other insurance liabilities	36,878,523	-	-	-	36,878,523
Other payables and accrued charges	4,130,736	17,658	21,257,666	-	25,406,060
Other	1,185,274	546	20	-	1,185,840
Total liabilities	430,314,178	18,204	21,257,686	-	451,590,068

5 Operating segment information (Continued)

Geographical information

Approximately 99% (2020: 99%) of the Group's total income is derived from its operations in Hong Kong 79% (2020: 79%) and Macau 20% (2020: 20%).

(a) The information of the Group's gross insurance premium revenue by regions are detailed below:

	Gross insurance premium revenue 2021 HK$'000	2020 HK$'000
Hong Kong	46,987,068	56,830,440
Macau	12,131,980	11,557,537
Singapore	531,230	521,015
Indonesia	23,556	21,592
Total	59,673,834	68,930,584

(b) The information of the Group's net insurance premium revenue by regions are detailed below:

	Net insurance premium revenue 2021 HK$'000	2020 HK$'000
Hong Kong	41,851,043	44,558,373
Macau	10,571,009	11,556,091
Singapore	513,784	520,986
Indonesia	3,697	2,391
Total	52,939,533	56,637,841

(c) The information of the Group's total assets by regions are detailed below:

	Total assets 2021 HK$'000	2020 HK$'000 (restated)
Hong Kong	385,324,059	397,742,729
Mainland China	880,122	967,507
Macau	80,246,117	75,631,910
Singapore	3,119,194	3,198,135
Indonesia	232,117	248,119
Total	469,801,609	477,788,400

6 Insurance premium revenue

	2021 HK$'000	2020 HK$'000
Gross premiums from:		
Life and annuity business	57,994,307	64,855,045
Linked long term business	86	91
Group health business	73,678	63,382
Retirement benefit contributions	1,605,763	4,012,066
	59,673,834	68,930,584

7 Net investment income

	2021 HK$'000	2020 HK$'000 (restated)
Dividend income	841,090	2,174,178
Distribution income	2,772,186	538,957
Interest on bank deposits	395,654	416,695
Interest on debt securities	13,824,011	13,213,787
Interest on loans	110,442	107,170
Other interest income	29,760	26,833
Impairment losses on available-for-sale financial assets	(441,300)	(1,565,129)
Impairment loss on held-to-maturity financial assets	-	(989,823)
Impairment losses on other debtors, prepayments and deposits, unsecured	(310,990)	-
Recovery of impairment losses	-	1,005,603
Rental income	627,776	638,194
Net fair value gains/ (losses) on financial assets at fair value through profit or loss		
-Unit trust	(436,730)	524,020
-Equity securities	(230,051)	583,767
-Debt securities	12,844	416,951
-Derivatives	(8,626)	22,781
Realised gain on disposal of financial assets at fair value through profit or loss	35,160	574,794
Realised gain on disposal of available-for-sale financial assets	1,141,672	749,888
Realised gain on disposal of held-to-maturity financial assets	509,905	837,526
Exchange gain /(losses)	2,085,975	(615,682)
Increase /(decrease) in fair value of investment properties	565,754	(487,418)
Others	(252,621)	320,086
	21,271,911	18,493,178

8 Other income

	2021 HK$'000	2020 HK$'000
Management fee	5,540	5,539
Trustee fee income	73,433	83,305
Others	6,918	4,319
	85,891	93,163

9 Other operating expenses

	2021 HK$'000	2020 HK$'000 (restated)
Employee benefit expense (Note 10)	487,099	420,128
Investment expenses	936,449	698,027
Depreciation of property and equipment (Note 14)	72,141	69,347
Depreciation of right-of-use assets (Note 14)	82,248	78,110
Amortisation of computer software (Note 16)	28,329	21,864
Short-term lease rentals	2,635	11,646
Maintenance fee	45,607	27,129
Custodian fee	44,176	57,337
Advertisement expense	18,254	20,736
Legal and professional fee	10,871	36,202
Directors' emoluments (Note 11)	1,536	2,045
Auditor's remuneration	7,808	9,440
Loss on disposal of property, equipment and software	21	82
Others	174,920	64,038
	1,912,094	1,516,131

10 Employee benefit expense

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	462,830	404,120
Pension costs - defined contribution plans	23,334	14,435
Pension costs - defined benefit plan	935	1,573
	487,099	420,128

11 Directors' emoluments

	2021 HK$'000	2020 HK$'000
Fees	1,536	2,045

Except for above disclosed, all directors' fee or emoluments are borne by the ultimate holding company.

12 Finance costs

	2021 HK$'000	2020 HK$'000 (restated)
Interest on:		
Policyholders' funds on deposit	1,528,379	1,900,427
Bonds	66,056	66,015
Lease liabilities	1,781	2,029
Reinsurance deposits	608,195	392,815
Others	193,738	198,327
	2,398,149	2,559,613

13 Income tax

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong profits tax, including adjustments in respect of prior years	32,271	8,346
Profit tax in other jurisdictions	4,240	441
	36,511	8,787
Deferred tax (Note 28)	28,697	141,083
Income tax expense	65,208	149,870

Hong Kong profits tax has been calculated at the rate of 16.5% (2020: 16.5%), Macau complementary tax is calculated at progressive rates to a maximum of 12% (2020: 12%), mainland China income tax is calculated at the rate of 25% (2020: 25%), Singapore statutory tax is calculated at the rate of 17% (2020: 17%) and Indonesia income tax is calculated at the rate of 22% (2020: 22%) on the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

13 Income tax (Continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2021 HK$'000	2020 HK$'000 (restated)
Profit before tax	1,429,958	2,091,547
Tax at the statutory tax rate	223,847	270,073
Income not subject to tax	(326,791)	(55,099)
Expenses not deductible for tax	1,551	33,197
Temporary difference not recognised/ (utilised)	34,520	(78,032)
Tax loss not recognised/ (utilisation of previously unrecognized tax loss)	102,340	(37,032)
Effect on different tax rates in other jurisdictions	30,428	17,311
Overprovision from prior years	(687)	(548)
Tax charged at the Group's effective rate	65,208	149,870

The Group has unrecognised tax losses arising in Hong Kong Branch of the Company of HK$1,183,278,506 (2020: HK$1,079,209,969); arising in Singapore Subsidiary of the Group of HK$193,253,000 (2020: HK$180,793,000); arising in Indonesia Subsidiary of the Group of HK$60,845,157 (2020: HK$54,037,473). Deferred tax assets have not been fully recognised in respect of the tax losses during the year as the Hong Kong Branch, Singapore Subsidiary and Indonesia Subsidiary of the Group may not have sufficient future profit to utilise all the tax losses.

14 Property and equipment

	Right-of-use assets			Owned assets							
	Land HK$'000	Properties HK$'000	Sub-total HK$'000	Land and buildings HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Office furniture HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2021											
Opening net book amount	3,037,319	42,071	3,079,390	1,017,290	155,613	15,188	17,580	2,075	24,185	1,231,931	4,311,321
Revaluation surplus	250,885	-	250,885	(1,374)	-	-	-	-	-	(1,374)	249,511
Additions	-	30,104	30,104	6,153	5,181	5,198	1,323	463	10,949	29,267	59,371
Disposals	-	(13,775)	(13,775)	-	(15)	(5,486)	(274)	(634)	(349)	(6,758)	(20,533)
Transfer from/(to) investment property	(229,211)	-	(229,211)	(16,286)	-	-	-	-	-	(16,286)	(245,497)
Transfer from/(to) construction in progress	-	-	-	-	25,360	219	1,872	-	(27,310)	141	141
Depreciation	(56,754)	(25,494)	(82,248)	(21,535)	(32,834)	(7,320)	(9,654)	(798)	-	(72,141)	(154,389)
Exchange realignment	-	(714)	(714)	768	108	5507	97	623	(28)	7075	6,361
Closing net book amount	3,002,239	32,192	3,034,431	985,016	153,413	13,306	10,944	1,729	7,447	1,171,855	4,206,286
At 31 December 2021											
Cost and valuation	3,002,239	83,781	3,086,020	985,016	338,419	87,594	82,067	10,370	7447	1,510,913	4,596,933
Accumulated depreciation	-	(51,589)	(51,589)	-	(185,006)	(74,288)	(71,123)	(8,641)	-	(339,058)	(390,647)
Net book amount	3,002,239	32,192	3,034,431	985,016	153,413	13,306	10,944	1,729	7,447	1,171,855	4,206,286

14 Property and equipment (Continued)

	Right-of-use assets			Owned assets							
	Land HK$'000	Properties HK$'000	Sub-total HK$'000	Land and buildings HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Office furniture HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2020											
Opening net book amount	3,288,107	47,617	3,335,724	979,280	138,629	18,047	27,800	3,082	57,713	1,224,551	4,560,275
Revaluation surplus	(193,068)	-	(193,068)	43,139	-	-	-	-	-	43,139	(149,929)
Additions	-	14,871	14,871	16	6,070	4,548	578	-	6,153	17,365	32,236
Disposals	-	-	-	-	-	(60)	(102)	-	-	(162)	(162)
Transfer from/(to) construction in progress	-	-	-	-	39,231	-	466	-	(39,697)	-	-
Depreciation	(57,720)	(20,390)	(78,110)	(20,379)	(28,667)	(8,018)	(11,272)	(1,011)	-	(69,347)	(147,457)
Exchange realignment	-	(27)	(27)	15,234	350	671	110	4	16	16,385	16,358
Closing net book amount	3,037,319	42,071	3,079,390	1,017,290	155,613	15,188	17,580	2,075	24,185	1,231,931	4,311,321
At 31 December 2020											
Cost and valuation	3,037,319	67,895	3,105,214	1,017,290	307,573	87,682	79,036	10,522	24,185	1,526,288	4,631,502
Accumulated depreciation	-	(25,824)	(25,824)	-	(151,960)	(72,494)	(61,456)	(8,447)	-	(294,357)	(320,181)
Net book amount	3,037,319	42,071	3,079,390	1,017,290	155,613	15,188	17,580	2,075	24,185	1,231,931	4,311,321

14 Property and equipment (Continued)

Depreciation expense of HK$154,389,000 (2020: HK$147,457,000) has been charged in other operating expenses.

At 31 December 2021, the Macau Branch of the Group holds buildings with pledged amount of HK$25 million (2020: HK$25 million) and market value of HK$107 million (2020: HK$107 million). They were pledged in favour of Monetary Authority of Macao as guarantee for the Branch's technical reserves, as required under the Macao Insurance Law.

All buildings situated in Hong Kong were last revalued on 31 December 2021 by CHFT Advisory and Appraisal ("CHFT"). The valuer of CHFT is a member from the Royal Institution of Chartered surveyor, has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation, which conforms to the International Valuation Standards, was arrived at by reference to comparable market transactions and rental yield for similar properties. All properties situated in Macau were revalued by Companhia de Investimento e Fomento Predial Nam Tung (Macau), S.A.R.L. All properties situated in Mainland China were revalued by CHFT.

The analysis of the cost and valuation as at 31 December 2021 and 2020 of the above assets is as follows:

	Right-of-use assets			Owned assets							
	Land HK$'000	Properties HK$'000	Sub-total HK$'000	Land and buildings HK$'000	Leasehold improvement HK$'000	Computer equipment HK$'000	Office furniture HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Sub-total HK$'000	Total HK$'000
At cost	-	32,192	32,192	-	153,413	13,306	10,944	1,729	7,447	186,839	219,031
At revaluation	3,002,239	-	3,002,239	985,016	-	-	-	-	-	985,016	3,987,255
31 December 2021	3,002,239	32,192	3,034,431	985,016	153,413	13,306	10,944	1,729	7,447	1,171,855	4,206,286
At cost	-	42,071	42,071	-	155,613	15,188	17,580	2,075	24,185	214,641	256,712
At revaluation	3,037,319	-	3,037,319	1,017,290	-	-	-	-	-	1,017,290	4,054,609
31 December 2020	3,037,319	42,071	3,079,390	1,017,290	155,613	15,188	17,580	2,075	24,185	1,231,931	4,311,321

As at 31 December 2021, the carrying amount of land and buildings was HK$2,339,963,411 (2020: HK$2,269,187,331) if it was stated under cost model.

14 Property and equipment (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's land and buildings:

As at 31 December 2021

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Properties held for own use	-	-	985,016	985,016
Right-of-use assets – land	-	-	3,002,239	3,002,239
	-	-	3,987,255	3,987,255

As at 31 December 2020

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Properties held for own use	-	-	1,017,290	1,017,290
Right-of-use assets – land	-	-	3,037,319	3,037,319
	-	-	4,054,609	4,054,609

14 Property and equipment (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Owner-occupied property and right-of-use asset land HK$'000
Carrying amount at 1 January 2020	4,267,387
Net loss from a fair value adjustment recognised in other comprehensive income	(149,929)
Additions	16
Depreciation expense recognised in profit or loss	(78,099)
Exchange realignment	15,234
Carrying amount at 31 December 2020 and 1 January 2021	4,054,609
Net gain from a fair value adjustment recognised in other comprehensive income	249,511
Depreciation expense recognised in profit or loss	(78,289)
Additions	6,153
Transfer to investment property	(245,497)
Exchange realignment	768
Carrying amount at 31 December 2021	3,987,255

Below is a summary of the valuation techniques used and the key inputs to the valuation of property, equipment and software:

	Valuation technique	Significant unobservable input	Range or Weighted average 2021	2020
Land and buildings held for own use	Direct Comparison Method	Unit sale prices, by making reference to comparable transactions in the subject locality with adjustments to reflect the differences between the subject properties and the comparables.	Office: $15,100 per sqft	Office: $15,800 per sqft
	Income Method	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market conditions.	Office: 2.6% to 3% Retail: 2.5% to 3% Carpark: 3% to 3.3%	Office: 2.5% to 3.5% Retail: 2.5% to 3.5% Carpark: 3% to 3.3%
		Monthly rent, using direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design	Office: $30-45 per sqft Retail: $34-175 per sqft Carpark: $3,800-$6,000 per space	Office: $28-43 per sqft Retail: $34-175 per sqft Carpark: $3,800-$6,000 per space

15 Investment properties

	2021 HK$'000	2020 HK$'000 (restated)
Fair value		
At 1 January	14,501,755	15,015,398
Net increase /(decrease) in fair value recognised in the consolidated statement of profit or loss	565,754	(487,418)
Additions	9,071	7,230
Disposals	(622,529)	-
Transfer from property and equipment	245,497	-
Exchange realignment	44,768	(33,455)
At 31 December	14,744,316	14,501,755

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out by CHFT. The valuation, which conforms to the International Valuation Standards, was arrived at by reference to comparable market transactions or capitalization rate for similar properties.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2021

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Investment properties	-	-	14,744,316	14,744,316

15 Investment properties (Continued)

As at 31 December 2020

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Investment properties	-	-	14,501,755	14,501,755

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Investment properties HK$'000
Carrying amount at 1 January 2020, as previously reported	5,553,460
Prior year adjustments	9,461,938
Carrying amount at 1 January 2020, as restated	15,015,398
Net loss from a fair value adjustment recognised in the consolidated statement of profit or loss	(487,418)
Additions	7,230
Exchange realignment	(33,455)
Carrying amount at 31 December 2020 and 1 January 2021	14,501,755
Net loss from a fair value adjustment recognised in the consolidated statement of profit or loss	565,754
Additions	9,071
Disposals	(622,529)
Transfer from property and equipment	245,497
Exchange realignment	44,768
Carrying amount at 31 December 2021	14,744,316

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

15 Investment properties (Continued)

	Valuation technique	Significant unobservable input	Range or Weighted average 2021	2020
Investment properties	Direct Comparison Method	Unit sale prices, by making reference to comparable transactions in the subject locality with adjustments to reflect the differences between the subject properties and the comparables.	Office: $13,300 to $20,840 per sqft Carpark: $2,000,000 per space	Office: $13,000 to $20,200 per sqft Carpark: $2,125,000 per space
	Income Method	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property prevailing market conditions.	Office and industrial: 2.6% to 16.9% Retail: 2.5% to 3% Carpark: 3% to 3.3%	Office and industrial: 2.5% to 9.3% Retail: 2.5% to 3.5% Carpark: 3% to 3.3%
		Monthly rent, using direct market comparables and taking into account of age, location and individual factors, such as road frontage, size of property and design.	Office: $30 to $45 per sqft Retail: $34 to $175 per sqft Carpark: $3,800 to $6,000 per space	Office: $28 to $43 per sqft Retail: $34 to $175 per sqft Carpark: $3,800 to $6,000 per space

16 Intangible assets

	Notes	2021 HK$'000	2020 HK$'000
Goodwill	(a)	94,469	94,469
Computer software	(b)	109,249	71,063
		203,718	165,532

16 Intangible assets (Continued)

(a) Goodwill

	HK$'000
Cost at 1 January 2020, net of accumulated impairment	96,009
Exchange realignment	(1,540)
Cost and net carrying amount at 31 December 2020	94,469
At 31 December 2020:	
Cost	95,016
Accumulated impairment	(547)
Net carrying amount	94,469
Cost at 1 January 2021, net of accumulated impairment	94,469
Exchange realignment	-
Cost and net carrying amount at 31 December 2021	94,469
At 31 December 2021:	
Cost	95,016
Accumulated impairment	(547)
Net carrying amount	94,469

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU") for impairment testing:

- PT China Life Insurance Indonesia ("CL Indonesia")

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arises in respect of the Group's insurance businesses in Indonesia of HK$94m (2020: HK$94m). Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). If the recoverable amount of the unit (group of units) exceeds the carrying amount of the unit (group of units), the goodwill allocated to that unit (group of units) shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit (group of units) unless otherwise stated. The value in use is determined by calculating as an actuarially determined appraisal value, based on embedded value of the business and the present value of expected future new business of the cash-generating unit (group of units). The present value of expected future new business is based on financial budgets approved by management, typically covering a three year period unless otherwise stated. These financial budgets reflect management's best estimate of future profit based on historical experience and best estimate operating assumptions such as premium and expenses. Further, the present value of expected future new business beyond this initial five year period are extrapolated using a perpetual growth rate, which typically does not exceed the long-term expected Gross Domestic Product (GDP) growth of the geographical area in which the cash flows supporting the goodwill are generated.

16 Intangible assets (Continued)

(a) Goodwill (Continued)

Impairment testing of goodwill (Continued)

The key assumptions used in the calculation of EV and VNB including:

- Risk discount rate of 13.5% (2020: 13.5%) which is in line with industry average.
- VNB calculated using projected VNB over the next 5 years at a discount rate of 13.5% (2020: 13.5%).
- The perpetual growth rate beyond 5 years is 3.5% (2020: 3.5%) per year.

(b) Computer software

	2021 HK$'000	2020 HK$'000
Opening net book amount	71,063	48,715
Additions	66,755	47,085
Disposals	(99)	(2,849)
Transfer to construction in progress	(141)	-
Amortisation	(28,329)	(21,864)
Exchange realignment	-	(24)
Closing net book amount	109,249	71,063
Cost and valuation	252,008	185,556
Accumulated amortisation	(142,759)	(114,493)
Net book amount	109,249	71,063

17 Statutory deposit

The amount represents one-year fixed rate (2021: 0.117% and 2020: 0.351%) bank deposit in the name of the Director of Accounting Services in compliance with Section 77(2e) of the Trustee Ordinance.

18 Investment in associates

	2021 HK$'000	2020 HK$'000 (restated)
Carrying amount of investment in associates at 31 December	4,263,104	3,704,162

Details of associates as at 31 December 2021 are as follows:

Name of company	Form of structure	Place of incorporation	Principal place of operation	Percentage of ownership interest attributable to the Group	Principal activity
Sanlink Investments Limited	Incorporated	Hong Kong	Hong Kong	30%	Investment holding
Savills Taiping Property Management Limited	Incorporated	Hong Kong	Hong Kong	30%	Property management
China Life Franklin Asset Management Co., Limited ("Franklin")	Incorporated	Hong Kong	Hong Kong	24%	Investment advisory
Route 3 (CPS) Co., Limited	Incorporated	Hong Kong	Hong Kong	30%	Toll road system operation
99 Bishopsgate Real Estate S.A.R.L.	Incorporated	Luxembourg	Great Britain	40%	Property development and activities
CAG Bermuda 1 Limited	Incorporated	Bermuda	Hong Kong	21.05%	Aviation leasing
A10 USD (Feeder No.2) L.P.	Limited Partnership	Guernsey	Guernsey	28.57%	Private equity fund
Baidu Capital L.P.	Limited Partnership	Cayman Islands	P.R.C	80%	Investment holding
SINO-CEEF Capital Management Company Limited	Incorporated	Hong Kong	Hong Kong	21%	Investment holding
SINO-CEE Fund	General Partner	Luxembourg	Hong Kong	3.07%	Investment holding
1818 Acquisition, LLC	Incorporated	United States	United States	20.06%	Investment holding

18 Investment in associates (Continued)

99 Bishopsgate Real Estate S.A.R.L., which is considered a material associate of the Group, is a property development company which holds office building as investment property in U.K. and is accounted for using the equity method.

The following table illustrates the summarised financial information of 99 Bishopsgate Real Estate S.A.R.L. adjusted for any differences in accounting policies:

	2021 HK$'000	2020 HK$'000
Current assets	159,540	102,229
Non-current assets	3,485,582	3,421,013
Current liabilities	(124,062)	(101,441)
Non-current liabilities	(2,204,389)	(2,213,189)
Net assets	1,316,671	1,208,612

	2021 HK$'000	2020 HK$'000
Revenue	232,288	211,107
Profit and total comprehensive income for the year	121,104	47,615
Dividends received from the associate	-	-

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2021 HK$'000	2020 HK$'000
Reconciliation to the Group's interest in the associate: Proportion of the Group's ownership	40%	40%
Group's share of net assets of the associate, excluding goodwill	526,668	483,445
Carrying amount of the investment	526,668	483,445

18 Investment in associates (Continued)

A10 USD (Feeder No.2) L.P., which is considered a material associate of the Group, is an investment holding company which holds debt securities in U.S. and is accounted for using the equity method.

The following table illustrates the summarised financial information A10 USD (Feeder No.2) L.P. adjusted for any differences in accounting policies:

	2021 HK$'000	2020 HK$'000
Net assets	1,572,734	108,488

	HK$'000	HK$'000
Revenue	84,258	21,894
Profit and total comprehensive income for the year	51,696	21,714
Dividends received from the associate	-	-

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2021 HK$'000	2020 HK$'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	28.57%	28.57%
The Group's share of net assets of the associate, excluding goodwill	449,330	30,995
Carrying amount of the investment	449,330	30,995

18 Investment in associates (Continued)

Baidu Capital L.P., which is considered a material associate of the Group, is an investment holding company which holds securities in U.S. and is accounted for using the equity method.

The following table illustrates the summarised financial information Baidu Capital L.P. adjusted for any differences in accounting policies:

	2021 HK$'000	2020 HK$'000
Net assets	1,108,357	1,236,668

	HK$'000	HK$'000
Revenue	1,452	771
(Loss)/profit and total comprehensive income for the year	(112,685)	205,008
Dividends received from the associate	-	-

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2021 HK$'000	2020 HK$'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	80%	80%
The Group's share of net assets of the associate, excluding goodwill	886,686	989,334
Carrying amount of the investment	886,686	989,334

18 Investment in associates (Continued)

1818 Acquisition, LLC, which is considered a material associate of the Group, is an investment holding company which holds securities in U.S. and is accounted for using the equity method.

The following table illustrates the summarised financial information 1818 Acquisition, LLC adjusted for any differences in accounting policies:

	2021 HK$'000	2020 HK$'000
Current assets	378,717	261,866
Non-current assets	13,863,663	13,930,911
Current liabilities	(1,334,561)	(5,674,964)
Non-current liabilities	(4,684,634)	(1,530,156)
Net assets	8,223,185	6,987,657

	2021 HK$'000	2020 HK$'000
Revenue	1,281,940	1,002,163
Profit and total comprehensive income for the year	118,877	(1,818,887)
Dividends received from the associate	-	-

The following table illustrates the reconciliation of the carrying amount in the financial statements:

	2021 HK$'000	2020 HK$'000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	20.06%	20.06%
Group's share of net assets of the associate, excluding goodwill	1,649,571	1,401,724
Carrying amount of the investment	1,649,571	1,401,724

18 Investment in associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 HK$'000	2020 HK$'000
Share of the associates' profits for the year	155,890	31,978
Share of the associates' other comprehensive income	-	-
Share of the associates' total comprehensive income	155,890	31,978
Aggregate carrying amount of the Group's investments in the associates	750,849	798,664

The Group had no contingent liabilities with the associates as at 31 December 2021 and 31 December 2020.

19 Investment in joint venture

	2021 HK$'000	2020 HK$'000
Carrying amount of investment in joint venture	525,842	491,615

Details of joint venture as at 31 December 2021 are as follows:

Name of company	Form of structure	Place of incorporation	Principal place of operation	Percentage of ownership interest attributable to the Group	Principal activity
Top Fountain Limited	Incorporated	British Virgin Islands	Hong Kong	10%	Property development activities

Top Fountain Limited, which is considered a material joint venture of the Branch, is an investment holding company which holds subsidiary on property development activities in P.R.C. and is accounted for using the equity method.

The following table illustrates the summarised financial information of Top Fountain Limited adjusted for any differences in accounting policies:

19 Investment in joint venture (Continued)

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	267,023	262,351
Other current assets	29,566	16,038
Current assets	296,589	278,389
Non-current assets	8,264,275	7,859,550
Financial liabilities, excluding trade and other payables and provision	(155,929)	(13,963)
Other current liabilities	(2,991,983)	(135,998)
Current liabilities	(3,147,912)	(149,961)
Non-current financial liabilities, excluding trade and other payables and provision	(106,882)	(2,951,744)
Other non-current liabilities	-	(76,569)
Non-current liabilities	(106,882)	(3,028,313)
Non-controlling interest	(47,650)	(43,515)
Net assets	5,258,420	4,916,150

	2021 HK$'000	2020 HK$'000
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	10%	10%
The Group's share of net assets of the joint venture, excluding goodwill	525,842	491,615
Carrying amount of the investment	525,842	491,615
Revenue	360,309	309,908
Interest income	-	1,149
Depreciation and amortisation	(246)	(265)
Interest expenses	(166,592)	(164,899)
Income tax	(56,277)	(32,995)
Profit/ (loss) for the year	185,239	(38,749)
Other comprehensive income	-	(19,951)
Total comprehensive income for the year	185,239	(58,700)

The Group had no contingent liabilities with the joint venture as at 31 December 2021 and 31 December 2020. The Group had a capital contribution commitment of HK$334 million with associates and joint ventures as at 31 December 2021 (as at 31 December 2020: HK$319 million). The capital contribution commitment amount has been included in the capital commitments in Note 41.

20 Financial assets and financial liabilities

Financial assets

	2021 HK$'000	2020 HK$'000 (restated)
Held-to-maturity financial assets, at amortised costs		
Debt securities	265,886,338	305,348,320
Provision for impairment	(1,898,022)	(4,202,512)
Total held-to-maturity financial assets	263,988,316	301,145,808

The fair value of the held-to-maturity financial assets was HK$286 billion as at 31 December 2021 (2020: HK$331 billion).

According to paragraph AG22 of HKAS 39, sales of held-to-maturity financial assets before maturity as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes could satisfy the condition in paragraph 9 of HKAS 39 and therefore would not raise a question about an entity's intention to hold other investments to maturity. In order to meet the capital requirements under Risk-based Capital Regime ('RBC") which will be effective in 2024, the Group had come up with a 3-years plan to sell down some of the held-to-maturity financial assets with high capital charges before 2024. Since the intention to hold these financial assets to maturity has changed on the date of the approval of the sales plan, the entire group of held-to-maturity financial assets amounting to HK$39,874 million under the sales plan was reclassified to available-for-sales since then. The remaining portfolio of held-to-maturity financial asset was not tainted and is continued to be classified as held-to-maturity.

	2021 HK$'000	2020 HK$'000 (restated)
Available-for-sale financial assets:		
Equity securities	8,277,113	13,046,479
Debt securities	49,440,697	24,571,057
Unit-trust	35,010,216	32,964,605
Total available-for-sale financial assets	92,728,026	70,582,141

20 Financial assets and financial liabilities (Continued)

Financial assets (Continued)

	2021 HK$'000	2020 HK$'000 (restated)
Financial assets at fair value through profit or loss*		
Equity securities	5,472,246	7,843,250
Debt securities	2,428,490	3,482,707
Unit-trust	15,481,565	15,751,760
Derivatives	241,553	226,631
Total financial assets at fair value through profit or loss	23,623,854	27,304,348

Financial liabilities

	2021 HK$'000	2020 HK$'000
Financial liabilities at fair value through profit or loss	3,764	946

* For the year ended 31 December 2021 and 2020, all financial assets at fair value through profit or loss are designated at fair value through profit or loss. The unit-trust is treated as equity securities.

At 31 December 2021, the Macau Branch of the Group holds equity investments with a total carrying amount of HK$1,763 million (2020: HK$3,432 million) and debt investments with a total carrying amount of HK$43,517 million (2020: HK$40,951 million) were pledged in favour of Monetary Authority of Macao as guarantee for the Branch's technical reserves, as required under the Macao Insurance Law.

21 Loans and receivables

	2021 HK$'000	2020 HK$'000
Receivables arising from insurance and reinsurance contracts	305,048	334,840
Other loans and receivables		
- Policyholders' loans	1,532,787	1,502,957
- Unsecured loans	1,259,327	1,251,724
- Unlisted debt securities	602,150	594,700
	3,394,264	3,349,381
Interest receivables	3,521,966	3,847,755
Claims recoverable	-	9
	7,221,278	7,531,985
Current portion	5,359,801	5,685,561
Non-current portion	1,861,477	1,846,424
	7,221,278	7,531,985

The aging analysis of the loans and receivables that are not individually nor collectively considered to be impaired is as follows:

	2021 HK$'000	2020 HK$'000
Neither past due nor impaired	7,221,278	7,530,812
Past due within 90 days but not impaired	-	1,173
	7,221,278	7,531,985

Receivables that were neither past due nor impaired relate to a large number of diversified debtors for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22 Other debtors, prepayments and deposits

	Note	2021 HK$'000	2020 HK$'000 (restated)
Investment and brokerage receivable		679,534	174,975
Other debtors and deposits		320,531	447,337
Prepayments		4,350	2,074
Prepaid ceded premium	(a)	2,282,074	915,177
Other debtors, prepayments and deposits		3,286,489	1,539,563

(a) The Group signed a coinsurance contract (the "Contract") with a reinsurer. Under the Contract, the Group placed the prepaid ceded premium deposit in the reinsurer. The interest rate of prepaid ceded premium in 2021 was 3% per annum (2020: 3%).

Other debtors and deposits include the amounts due from an associate and a fellow subsidiary which are unsecured, non-interest bearing and are repayable on demand.

The individually impaired other debtors and deposits relate to other debtors that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the other debtors and deposits is expected to be recovered.

The movements in provision for impairment of other debtors and deposits are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	3,884,572	3,884,572
Transferred from impairment provision of held-to-maturity debt securities	1,957,215	-
Impairment losses recognised and direct write-off in consolidated statement of profit or loss (Note 7)	310,990	-
At 31 December	6,152,777	3,884,572

Included in the above provisions for impairment of other debtors and deposits are provisions for individually impaired other debtors of HK$3,885 million (2020: HK$3,885 million) with gross carrying amount of HK$3,885 million (2020: HK$3,885 million), and provision for impaired held-to-maturity debt securities of HK$1,957 million (2020: Nil) being transferred to other debtors, prepayments and deposits during the year.

Except those as disclosed above, the remaining other debtors and deposits for whom there was no recent history of default were neither past due nor impaired.

23 Cash and bank deposits

	2021 HK$'000	2020 HK$'000 (restated)
Cash on hand	64	63
Term deposit with original maturity less than 3 months	5,495,128	206,389
Savings and current accounts	18,823,314	19,768,998
	24,318,506	19,975,450
Term deposit with original maturity over 3 months but within 1 year	4,701,481	1,955,498
Term deposit with original maturity over 1 year but within 5 years	6,184,550	5,545,891
Term deposit with original maturity over 5 years	-	5,329,836
	10,886,031	12,831,225
	35,204,537	32,806,675
Average effective interest rate	1.01%	1.46%

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and term deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2021, the Macau Branch of the Group has time deposits with a total carrying amount of HK$7,029 million (2020: HK$5,219 million) were pledged in favour of Monetary Authority of Macao as guarantee for the Branch's technical reserves, as required under the Macao Insurance Law (Note 33).

24 Policyholders' funds on deposit

	2021 HK$'000	2020 HK$'000
Investment contract without DPF liabilities	4,141	3,872
Accrued interest on insurance contracts and investment contracts with DPF	792,361	759,592
Policyholder dividend payables	4,566,843	5,209,090
Premium received in advance	60,752,981	51,515,551
	66,116,326	57,488,105

The premium received in advance bear fixed interest rates. The amount is repayable to policyholders on demand and is therefore considered current in nature.

25 Amounts due to reinsurers

	Note	2021 HK$'000	2020 HK$'000 (restated)
Payable to reinsurer		888,753	775,718
Reinsurance deposit	(a)	12,367,646	10,275,295
		13,256,399	11,051,013

(a) The Group signed a modified coinsurance contract (the "Contract") with a reinsurer. Under the Contract, the reinsurer placed a deposit in the Group. The interest rate of reinsurance deposit in 2021 was 6.2% per annum (2020: 6%).

26 Other insurance liabilities

	2021 HK$'000	2020 HK$'000
Commission payable	156,297	134,421
Claims payable	16,233	114,311
Surrender or other benefit payable	40,478,279	36,629,791
	40,650,809	36,878,523

27 Other payables and accrued charges

	2021 HK$'000	2020 HK$'000 (restated)
Interest payable to policyholders	799,765	718,461
Salary and welfare payable	254,940	216,421
Repurchase agreement and others (Note (i))	17,920,766	19,095,310
Investment and brokerage payable	81,099	2,468,570
Interest payable of bonds	28,216	28,117
Accrued charges	689,476	676,146
Others	2,665,858	2,203,035
	22,440,120	25,406,060

Note (i): As at 31 December 2021, debt securities and investment properties of approximately HK$21,342 million (2020: HK$24,037 million) were pledged as collateral under repurchase agreements.

28 Deferred income tax

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from land and building revaluation HK$'000	Fair value adjustments arising from investment properties HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Total HK$'000
Deferred tax liabilities					
At 1 January 2021	8,244	39,932	98,167	1,155,820	1,302,163
Deferred tax charged to profit or loss	-	2	-	2	4
Deferred tax charged/(credited) to other comprehensive income	-	470	1,841	(205,548)	(203,237)
Gross deferred tax liabilities as at 31 December 2021	8,244	40,404	100,008	950,274	1,098,930

28 Deferred income tax (Continued)

	Adjustments arising from temporary difference on investment transactions HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Tax loss recognised HK$'000	Total HK$'000
Deferred tax assets					
At 1 January 2021	63,167	-	24	98,913	162,104
Deferred tax charged to profit or loss	(28,693)	-	-	-	(28,693)
Deferred tax credited to other comprehensive income	40,921	-	-	-	40,921
Gross deferred tax asset as at 31 December 2021	75,395	-	24	98,913	174,332

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

Net deferred tax assets recognised in the consolidated statement of financial position	24
Net deferred tax liabilities recognised in the consolidated statement of financial position	924,622

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from land and building revaluation HK$'000	Fair value adjustments arising from investment properties HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Total HK$'000
Deferred tax liabilities					
At 1 January 2020 (restated)	188	4,582	43,214	320,531	368,515
Deferred tax charged to profit or loss	8,056	35,158	54,953	-	98,167
Deferred tax charged to other comprehensive income	-	192	-	835,289	835,481
Gross deferred tax liabilities as at 31 December 2020	8,244	39,932	98,167	1,155,820	1,302,163

28 Deferred income tax (Continued)

	Adjustments arising from temporary difference on investment transactions HK$'000	Fair value adjustments arising from available-for-sale investment HK$'000	Fair value adjustments arising from acquisition of a subsidiary HK$'000	Tax loss recognised HK$'000	Total HK$'000
Deferred tax assets					
At 1 January 2020 (restated)	115,924	-	47	89,049	205,020
Deferred tax (charged)/credited to profit or loss	(52,757)	-	(21)	9,864	(42,914)
Exchange difference	-	-	(2)	-	(2)
Gross deferred tax asset as at 31 December 2020	63,167	-	24	98,913	162,104

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

Net deferred tax assets recognised in the consolidated statement of financial position	24
Net deferred tax liabilities recognised in the consolidated statement of financial position	1,140,083

29 Insurance contract and investment contract with DPF liabilities

(a) Movements in insurance contract and investment contract with DPF liabilities, and reinsurance assets

	2021 Insurance gross HK$'000	2021 Reinsurance assets HK$'000	2021 Net HK$'000	2020 Insurance gross HK$'000	2020 Reinsurance assets HK$'000	2020 Net HK$'000
At 1 January	317,605,274	(13,701,971)	303,903,303	293,732,163	(1,749,975)	291,982,188
Net revaluation premiums received	50,007,154	(6,744,031)	43,263,123	63,870,407	(33,187)	63,837,220
Fees deducted from account balance	-	-	-	(85,396)	-	(85,396)
Interest accredited	11,020,322	-	11,020,322	13,942,870	(6,348)	13,936,522
Liabilities released for payments on						
- death	(865,948)	39	(865,909)	(684,104)	-	(684,104)
- surrender	(1,816,748)	300	(1,816,448)	(4,025,929)	190	(4,025,739)
- other terminations	(85,896,005)	146,093	(85,749,912)	(48,200,603)	54,704	(48,145,899)
Change in other regulatory reserves	(586,380)	(22,486)	(608,866)	1,448,350	(7,631)	1,440,719
Change in valuation assumptions	7,688,271	-	7,688,271	(2,337,939)	-	(2,337,939)
Others	(52,020)	517,737	465,717	(54,545)	(11,959,724)	(12,014,269)
At 31 December	297,103,920	(19,804,319)	277,299,601	317,605,274	(13,701,971)	303,903,303
Current			33,421,472			86,891,951
Non-current			243,878,129			217,011,352
			277,299,601			303,903,303

29 Insurance contract and investment contract with DPF liabilities (Continued)

(b) Process used to decide on assumptions

The Group makes estimates of mortality rates, investment returns, administration expenses and other market factors. These estimates form the basis for the assumptions used to calculate the liabilities arising from these contracts and will be reviewed regularly.

(i) Investment return assumptions are based on estimates of future yields on the Group's investments. In determining interest rate assumptions, the Group considers past investment experience, the current and future mix of its investment portfolio and trends in yields. The assumed rate of investment return used is as follows:

Valuation year	Valuation interest rate assumptions
2021	2.48% - 4.54%
2020	2.75% - 4.83%

(ii) Estimates are made for mortality in each of the years that the Group is exposed to risk. The Group determines its mortality assumptions, on a prudent basis, with reference to the Group's historical mortality experience.

(iii) A number of other reserves including resilience reserve and currency mismatch reserve for life and annuity business ("Class A") and retirement scheme management business ("Class G") and a reserve for guarantees on Class G business are set up for the Hong Kong and Macau business. The resilience reserve of HK$1,211 million (2020: HK$1,514 million) is calculated from a small number of scenarios under which combinations of bond yield rise/fall and equity rise/fall are assumed. The currency mismatch reserve as at 31 December 2021 amounted to approximately HK$349 million (2020: HK$60 million) for Class A and HK$13 million (2020: HK$3 million) for Class G and is calculated based on a percentage of the mismatched assets and liabilities. The percentage used has made reference to the probability of a removal of link between the relevant currencies as well as an estimate of the adverse movement in the event of such removal.

The HK business Class G reserve for guarantees is calculated with reference to the Guideline 7 "The Reserve Provision for Class G of Long Term Business" issued by the Insurance Authority. A stochastic asset model is chosen to project future expected asset returns. Asset returns are assumed to follow the log-normal distribution. 1,000 scenario runs are performed. Policies are grouped into different model points according to the level of guarantee interest rate. Future contribution amounts are assumed to be equal to the current level and adjusted by the increment due to salary increase, new entrants and decrements due to withdrawals.

(c) Change in assumptions and sensitivity analysis

The Group did not change its process used to decide on assumptions and no significant change on assumption for the insurance contracts disclosed in this note.

If the valuation interest rates in all years were 0.5% lower than the current assumptions, the insurance liabilities would increase by HK$8,072 million (2020: HK$5,855 million). Where the mortality rates increased by 10% from current assumptions, the insurance fund would increase by HK$103 million (2020: HK$110 million).

30 Interest-bearing borrowings

	2021 HK$'000	2020 HK$'000
Bonds payable	1,932,550	1,931,573

As at 31 December 2021, all bonds payable were subordinated bonds with a total carrying value of HK$1,933 million and the par value of HK$1,949 million.

Issue date	Maturity date	Interest rate p.a.	Par value As at 31 December 2021 HK$'000
27 July 2017	27 July 2027	3.35 %	1,949,175

China Life Insurance (Overseas) Company Limited, Hong Kong Branch issued subordinated bonds with a maturity term of 10 years at nominal amount of US$250,000,000 in reliance on Regulation S under the U.S. Securities Act of 1933 in July 2017. The coupon rate per annum is fixed at 3.35%. On 28 July 2017, the bonds were listed on The Stock Exchange of Hong Kong Limited.

31 Lease liabilities

	2021 HK$'000	2020 HK$'000
Lease liabilities	33,096	43,680

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	43,680	49,073
Additions	19,351	14,870
Accretion of interest	1,781	2,029
Payments	(25,760)	(22,265)
Exchange realignment	(236)	(27)
Lease modification	(5,720)	-
Carrying amount at 31 December	33,096	43,680

The incremental borrowing rate applied to the lease liabilities recognised at 31 December 2021 ranged from 3.4% to 4.7% (2020: 3.4% to 4.7%).

The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Depreciation expense of right-of-use assets	82,248	78,110
Interest expense on lease liabilities	1,781	2,029
Expense relating to short-term leases (included in other operating expenses)	2,635	11,646
	86,664	91,785

The total cash outflow for leases is disclosed in note 35(b) to the consolidated financial statements.

32 Share capital

	2021 HK$'000	2020 HK$'000
Share capital		
Issued and fully paid:		
At the beginning of the year:		
2021: 6,977,888,000 (2020: 5,940,426,000) ordinary shares	7,919,828	6,762,435
Issue during the year:		
2021: Nil (2020: 1,037,462,000) ordinary shares	-	1,157,393
At the end of the year:		
2021: 6,977,888,000 (2020: 6,977,888,000) ordinary shares	7,919,828	7,919,828

On 13 January 2020, the board of directors approved the issue of 1,037,462,500 ordinary shares, with a par value of RMB1 per share to its immediately holding company, China Life Insurance (Group) Company (the "Issuance of shares"). On 19 August 2020, the Group obtained the approval on the issuance of shares from China Banking and Insurance Regulatory Commission. On the same date, the Group transferred other reserve amounting HK$1,157,393,165 to share capital.

The total number of authorised ordinary shares was 6,978 million, with a par value of RMB1 per share. All issued shares are fully paid at the end of the reporting period.

During 2020, the Company received capital injection of HK$4,700,000,000 (the "Capital Injection") with total number of ordinary shares of 4,079 million and par value of RMB1 per share from its immediate holding company. However, the issue of share is still in progress. The Capital Injection is classified as other reserve and regarded as deemed share capital as at 31 December 2021.

33 Pledge of assets

As at 31 December 2021, the Macau Branch of the Company has bank deposits of HK$7,029 million (2020: HK$5,219 million), equity securities of HK$1,763 million (2020: HK$3,432 million), debt securities of carrying amount approximately HK$43,517 million (2020: HK$40,951 million) and land and buildings held by the Macau Branch with market value of HK$100 million (2020: HK$104 million) pledged in favour of Monetary Authority of Macau as guarantee for its technical reserves, as required under the Macau Insurance Law.

34 Cash generated from operations

	Notes	2021 HK$'000	2020 HK$'000 (restated)
Profit before tax		1,429,958	2,091,547
Adjustments for:			
Net realised and unrealised gains on financial assets	7	(1,024,174)	(3,709,727)
Loss on disposal of property and equipment	9	21	82
Interest income	7	(14,359,867)	(13,764,485)
Interest expense	12	2,398,149	2,559,613
Dividend and distribution income	7	(3,613,276)	(2,713,135)
Depreciation of property and equipment	14	72,141	69,347
Depreciation of right-of-use assets	14	82,248	78,110
Amortisation of computer software	16	28,329	21,864
Revaluation (gain)/ loss on investment properties	15	(565,754)	487,418
Exchange (gain)/ loss	7	(2,085,975)	615,682
Share of (profits)/ loss of associates and joint ventures		(914,313)	368,385
Impairment loss on financial assets	7	752,290	1,549,349
Purchase of financial assets		(28,078,609)	(65,178,260)
Operating cash flows before movements in working capital		(45,878,832)	(77,524,210)
Increase in reinsurance assets		(6,102,348)	(11,951,996)
Decrease in loans and receivables		36,482	716,914
Increase in other debtors, prepayments and deposits		(1,909,659)	(398,782)
Increase/(decrease) in policyholders' funds on deposit		8,628,221	(12,154,220)
Decrease in amounts due to reinsurers		2,205,386	7,990,828
Increase in other insurance liabilities		3,772,286	7,798,601
(Decrease)/increase in other payables and accrued charges		(3,467,900)	5,458,907
(Decrease) /increase in financial liabilities arising from insurance contracts and investment contracts with DPF		(20,501,354)	23,873,111
Increase in policyholder's loan		(29,831)	(122,201)
Cash used in operations		(63,247,549)	(56,313,048)

Cash flows used in operating activities		
Cash used in operations	(63,247,549)	(56,313,048)
Income tax paid	(69,250)	(129,295)
Net cash flows used in operating activities	(63,316,799)	(56,442,343)

35 Notes to the consolidated statement of cash flows

(a) Reconciliation of liabilities arising from financing activities:

	Bond payable HK$'000	Bond interest payable (note) HK$'000
At 1 January 2020	1,943,972	28,165
Changes from financing cash flows:		
Interest paid	-	(65,057)
Non-cash changes:		
Interest accrued	-	65,010
Amortisation of bond	976	-
Exchange realignment	(13,375)	-
At 31 December 2020 and 1 January 2021	1,931,573	28,118
Changes from financing cash flows:		
Interest paid	-	(64,981)
Non-cash changes:		
Interest accrued	-	65,079
Amortisation of bond	977	-
At 31 December 2021	1,932,550	28,216

Note: Bond interest payable is included under other payables and accrued charges in the consolidated statement of financial position.

(b) Total cash outflow for leases:

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	2,635	11,646
Within financing activities	25,760	22,265
At 31 December	28,395	33,911

36 Operating lease commitments

As lessor

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2021 HK$'000	2020 HK$'000
Within one year	92,855	91,960
In the first to second year	84,007	87,737
In the second to third year	33,861	72,975
In the third to fourth year	11,718	35,399
Fourth to fifth year	-	5,393
After five years	-	65
	222,441	293,529

37 Significant related party transactions

The Group is subject to ultimate control of the State Council of the PRC government through China Life Insurance (Group) Company. The State Council of the PRC Government 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 mainly include the following:

- sales, purchase and redemption of securities issued by other state controlled entities
- outward reinsurance transactions with other state controlled entities

During the year, a number of significant transactions are entered into with related parties in the normal course of business. For the purpose of the disclosures in the following tables, related parties refer to subsidiaries of China Life Insurance (Group) Company only:

(a) Consolidated statement of profit or loss items:

	2021 HK$'000	2020 HK$'000
Associates:		
Investment management fee (Note i)	(100,224)	(72,290)
Property management fee (Note ii)	(4,071)	(5,877)
Interest income (Note iii)	36,128	34,248

37 Significant related party transactions (Continued)

(a) Consolidated statement of profit or loss items: (Continued)

	2021 HK$'000	2020 HK$'000
Fellow subsidiaries:		
Property and liability insurance expenses	(80)	-
Investment management fee	(39,835)	(137,998)
Agency service fee	(9)	-
Management fee	(591)	(553)
Information technology service fee	(1,900)	(8,122)
Property insurance premium	-	(69)
Property insurance claim	-	5
Training expense	(97)	(7)
Other related parties:		
Life insurance premium income	-	914
Claims expense	-	(314)
Interest income	9,043	26,924
Commission fee	-	(21,398)
Bank charges	-	(10)

Notes:

(i) The Group received investment management services from, and paid investment management fee to an associate of the Group.

(ii) The Group received property management services for owned office premises and paid property management fee to an associate of the Group.

(iii) The Group received interest income from unsecured loans to its associates amounting to HK$789,813,558 (2020: HK$782,405,170) with interest at 5.016% per annum (2020: 5.016% per annum). The terms and conditions of the loans were negotiated on an arm's length basis and were entered into normal commercial terms.

(b) Consolidated statement of financial position items:

	2021 HK$'000	2020 HK$'000
Associates:		
Amounts due from associates	65,079	28,318
Unsecured loans	789,814	782,405
Investment management fee payables	(56,229)	(36,499)
Interest receivables	36,128	28,644
Fellow subsidiaries:		
Investment management fee payables	(39,256)	(197,680)
Information technology service fee payables	(1,900)	(4,709)
Training expense payable	-	(30)
Other payable	-	(342)

37 Significant related party transactions (Continued)

(b) Consolidated statement of financial position items (Continued):

	2021 HK$'000	2020 HK$'000
Other related parties:		
Commission payable	-	(6)

(c) The remuneration of directors and other members of key management during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	152,345	132,399

The remuneration of directors and key executives is determined with regard to performance of individuals and market trends.

38 Operating capital management

The Group's objectives for managing capital are to comply with the insurance capital requirements based on the minimum capital and actual capital required by the local regulators, prevent risk in operation and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders.

The Group defines capital as net equity and bond payables of the Group.

39 Dividend

No dividend (2020: Nil) was declared and paid for the year.

40 Statement of financial position of the company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000 (restated)
Assets		
Property, equipment and software	593,162	586,184
Investment properties	338,960	327,850
Investments in subsidiaries	39,245,541	39,944,140
Investments in associates	3,808,864	3,263,953
Investments in joint venture	525,842	491,615
Reinsurance assets	19,804,319	13,673,222
Debt securities		
- Held-to-maturity	218,118,109	255,105,858
- Available-for-sale	48,686,667	23,461,166
- At fair value through profit or loss	833,218	1,224,157
Unit trust		
- Available-for-sale	38,379,988	36,739,143
- At fair value through profit or loss	9,734,838	9,845,210
Equity securities		
- Available-for-sale	8,277,113	13,046,479
- At fair value through profit or loss	4,795,924	7,044,787
Derivatives		
- At fair value through profit or loss	219,660	196,830
Loans and receivables	6,462,023	6,810,123
Loan to subsidiaries, unsecured	8,857,458	8,699,434
Other debtors, prepayments and deposits, unsecured	3,210,746	1,479,538
Cash and bank deposits	34,270,679	31,445,133
Total assets	446,163,111	453,384,822

40 Statement of financial position of the company (Continued)

	2021 HK$'000	2020 HK$'000 (restated)
Total assets	446,163,111	453,384,822
Liabilities		
Insurance contract and investment contract with DPF liabilities	294,941,918	315,369,117
Policyholders' funds on deposit	66,092,584	57,448,907
Amounts due to reinsurers	13,253,836	11,043,704
Other insurance liabilities	40,634,699	36,870,605
Other payables and accrued charges	2,949,566	4,582,631
Interest-bearing borrowings	1,945,571	1,959,612
Current tax liabilities	44,177	42,190
Deferred tax liabilities	919,998	1,133,726
Total liabilities	420,782,349	428,450,492
Net assets	25,380,762	24,934,330
Equity		
Share capital	7,919,828	7,919,828
Other reserves	12,621,028	13,499,723
Retained earning	4,839,906	3,514,779
Total equity	25,380,762	24,934,330

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 June 2022 and are signed on its behalf of:

Yu Deben Chief Executive	Yu Deben Director	Jiang Tao Director

40 Statement of financial position of the company (Continued)

Note:

	Properties revaluation reserve* HK$'000	Investment revaluation reserve* HK$'000	Capital reserve (Note 1)* HK$'000	Translation reserve* HK$'000	Other reserve (Note 2)* HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2020, as previously reported	131,428	3,451,094	205,760	119,742	2,497,991	2,678,187	9,084,202
Prior year adjustments	-	(778,514)				(756,714)	(1,535,228)
At 1 January 2020, as restated	131,428	2,672,580	205,760	119,742	2,497,991	1,921,473	7,548,974
Profit for the year	-	-	-	-	-	1,593,305	1,593,305
Other comprehensive income for the year:							
Exchange differences on translation of overseas operations	-	-	-	(138,501)	-	-	(138,501)
Net changes in available-for-sale financial assets, net of tax	-	4,280,086	-	-	-	-	4,280,086
Share of change in equity of associates and the joint venture	-	(1,762)	-	-	-	-	(1,762)
Gain on revaluation of properties	189,793	-	-	-	-	-	189,793
Total comprehensive income for the year	189,793	4,278,324	-	(138,501)	-	1,593,305	5,922,921
Issue of shares	-	-	-	-	4,700,000	-	4,700,000
Transfer to share capital	-	-	-	-	(1,157,393)	-	(1,157,393)
Transfer to capital reserve	-	-	1,340,598	-	(1,340,598)	-	-
At 31 December 2020	321,221	6,950,904	1,546,358	(18,759)	4,700,000	3,514,778	17,014,502

40 Statement of financial position of the company (Continued)

Note (Continued):

	Properties revaluation reserve* HK$'000	Investment revaluation reserve* HK$'000	Capital reserve (Note 1)* HK$'000	Translation reserve* HK$'000	Other reserve (Note 2)* HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	321,221	6,950,904	1,546,358	(18,759)	4,700,000	3,514,778	17,014,502
Profit for the year	-	-	-	-	-	1,325,128	1,325,128
Other comprehensive income for the year:	-	-	-	-	-	-	-
Exchange differences on translation of overseas operations	-	-	-	413,757	-	-	413,757
Net changes in available-for-sale financial assets, net of tax	-	(1,356,330)	-	-	-	-	(1,356,330)
Share of change in equity of associates and the joint venture		-	-	-	-	-	-
Gain on revaluation of properties	63,876	-	-	-	-	-	63,876
Total comprehensive income for the year	63,876	(1,356,330)	-	413,757	-	1,325,128	446,431
At 31 December 2021	385,097	5,594,574	1,546,358	394,998	4,700,000	4,839,906	17,460,933

Note:

1 Capital reserve of HK$1,546,358,000 (2020: reserve of HK$1,546,358,000) represents reserve arising from donated assets received in prior years.
2 Other reserve represents deemed share capital which was fully paid up but issue of shares is in progress as regulated by PRC Law.
* These reserve accounts comprise the other reserves of HK$12,621,027,000 (2020: HK$13,499,724,000) in the statement of financial position of the Company.

41 Commitments

The Group had the following capital commitments at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Property and equipment	763	11,806
Capital contribution payable to joint venture	334,938	319,258
	335,701	331,064

42 Unconsolidated structured entities

The Group's interest in unconsolidated structured entities are recorded as securities at fair value through profit or loss and available-for-sale securities. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees.

The Group did not guarantee or provide any financing support for the structured entities that the Group had interest in.

As at 31 December 2021, the total net asset values of these managed funds were HK$23,377,778,317 (2020: HK$24,490,134,744). The Group's interest in these managed funds was management fee income of HK$84,755,785 (2020: HK$88,670,933) for the year, including outstanding receivable of HK$28,635,299 (2020: HK$24,223,457) as at 31 December 2021. The maximum exposure to loss is equal to the interest shown above.

43 Restatement of prior year balances

When preparing the financial statements for the year ended 31 December 2021, the directors of the Group have identified certain errors in the comparative financial information previously presented. A detailed description of the nature of each prior year error is provided in Note 43(d) below. The amounts of the prior year correction for each financial statement line item affected are presented in the tables below.

a) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of profit or loss for the year ended 31 December 2020:

	As previously reported	Control of funds	Significant influence over funds	Measurement of reinsurance contracts	Adjustment of other comprehensive income	As restated
	HK$'000	HK$'000 (Note 43(d)(1))	HK$'000 (Note 43(d)(2))	HK$'000 (Note 43(d)(3))	HK$'000 (Note 43(d)(4))	HK$'000
Insurance premium revenue	68,930,584	-	-	-	-	68,930,584
Insurance premium ceded to reinsurers	(12,292,743)	-	-	-	-	(12,292,743)
Net insurance premium revenue	56,637,841	-	-	-	-	56,637,841
Net investment income	17,458,896	434,389	72,839	-	527,054	18,493,178
Other income	93,163	-	-	-	-	93,163
	74,189,900	434,389	72,839	-	527,054	75,224,182
Insurance claims and loss adjustment expenses	(54,567,925)	-	-	-	-	(54,567,925)
Insurance claims and loss adjustment expenses recovered from reinsurers	913,842	-	-	-	-	913,842
Increase in insurance contract liabilities	(23,826,188)	-	-	-	-	(23,826,188)
Increase in reinsurance assets	11,951,265	-	-	(627,909)	-	11,323,356
Net insurance benefits and claims	(65,529,006)	-	-	(627,909)	-	(66,156,915)

43 Restatement of prior year balances (Continued)

a) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of profit or loss for the year ended 31 December 2020 (Continued):

	As previously reported	Control of funds	Significant influence over funds	Measurement of reinsurance contracts	Adjustment of other comprehensive income	As restated
	HK$'000	HK$'000 (Note 43(d)(1))	HK$'000 (Note 43(d)(2))	HK$'000 (Note 43(d)(3))	HK$'000 (Note 43(d)(4))	HK$'000
Expenses for the acquisition of insurance and investment contracts	(3,057,129)	-	-	-	-	(3,057,129)
Commissions on reinsurance ceded	2,025,538	-	-	(1,500,000)	-	525,538
Other operating expenses	(1,459,678)	(56,453)	-	-	-	(1,516,131)
Net expenses	(68,020,275)	(56,453)	-	(2,127,909)	-	(70,204,637)
Results of operating activities	6,169,625	377,936	72,839	(2,127,909)	527,054	5,019,545
Finance costs	(2,341,688)	(198,327)	-	(19,598)	-	(2,559,613)
Share of profits/(losses) of associates and joint venture	224,933	(681,171)	87,853	-	-	(368,385)
Profit/(loss) before tax	4,052,870	(501,562)	160,692	(2,147,507)	527,054	2,091,547
Income tax (expense)/credit	(149,870)	-	-	-	-	(149,870)
Profit/(loss) for the year	3,903,000	(501,562)	160,692	(2,147,507)	527,054	1,941,677
Attributable to:						
Owners of the parent	3,902,744	(490,900)	160,692	(2,147,507)	527,054	1,952,083
Non-controlling interests	256	(10,662)	-	-	-	(10,406)
	3,903,000	(501,562)	160,692	(2,147,507)	527,054	1,941,677

43 Restatement of prior year balances (Continued)

b) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of comprehensive income for the year ended 31 December 2020:

	As previously reported	Control of funds	Significant influence over funds	Measurement of reinsurance contracts	Adjustment of other comprehensive income	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 43(d)(1))	(Note 43(d)(2))	(Note 43(d)(3))	(Note 43(d)(4))	
Profit/(loss) for the year	3,903,000	(501,562)	160,692	(2,147,507)	527,054	1,941,677
Other comprehensive income						
Other comprehensive income that may be reclassified to the consolidated statement of profit or loss in subsequent periods:						
Available-for-sale investments:						
Changes in fair value	3,129,013	1,082,080	(187,206)	-	(614,018)	3,409,869
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss						
- Net gains on disposal	(942,399)	192,511	-	-	-	(749,888)
- Impairment losses	2,237,901	(672,772)	-	-	-	1,565,129
Income tax effect	(869,695)	(79,072)	26,514	-	86,964	(835,289)
	3,554,820	522,747	(160,692)	-	(527,054)	3,389,821
Share of other comprehensive income of associates and joint venture	(1,762)	-	-	-	-	(1,762)
Net other comprehensive income that may be reclassified to the consolidated statement of profit or loss in subsequent periods:	3,553,058	522,747	(160,692)	-	(527,054)	3,388,059
Other comprehensive income that will not be reclassified to the consolidated statement of profit or loss in subsequent periods:						
Gain on property revaluation	(149,929)	-	-	-	-	(149,929)
Income tax effect	(192)	-	-	-	-	(192)
	(150,121)	-	-	-	-	(150,121)
Re-measurement of defined benefit obligation	251	-	-	-	-	251
Currency translation difference	9,311	-	-	-	-	9,311
Net other comprehensive income that will not be reclassified to the consolidated statement of profit or loss in subsequent periods	(140,559)	-	-	-	-	(140,559)
Other comprehensive income for the year, net of tax	3,412,499	522,747	(160,692)	-	(527,054)	3,247,500

43 Restatement of prior year balances (Continued)

b) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of comprehensive income for the year ended 31 December 2020 (Continued):

	As previously reported HK$'000	Control of funds HK$'000 (Note 43(d)(1))	Significant influence over funds HK$'000 (Note 43(d)(2))	Measurement of reinsurance contracts HK$'000 (Note 43(d)(3))	Adjustment of other comprehensive income HK$'000 (Note 43(d)(4))	As restated HK$'000
Total comprehensive income for the year	7,315,499	21,185	-	(2,147,507)	-	5,189,177
Attributable to:						
Owners of the parent	7,315,277	34,407	-	(2,147,507)	-	5,202,177
Non-controlling interests	222	(13,222)	-	-	-	(13,000)
	7,315,499	21,185	-	(2,147,507)	-	5,189,177

43 Restatement of prior year balances (Continued)

c) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of financial position as at 31 December 2020:

	As previously reported	Control of funds	Significant influence over funds	Measurement of reinsurance contracts	Adjustment of other comprehensive income	As restated
	HK$'000	HK$'000 (Note 43(d)(1))	HK$'000 (Note 43(d)(2))	HK$'000 (Note 43(d)(3))	HK$'000 (Note 43(d)(4))	HK$'000
Assets						
Property and equipment	4,311,321	-	-	-	-	4,311,321
Investment properties	5,376,911	9,124,844	-	-	-	14,501,755
Intangible assets	165,532	-	-	-	-	165,532
Deferred tax assets	24	-	-	-	-	24
Statutory deposit	1,500	-	-	-	-	1,500
Investment in associates	32,523,468	(29,885,962)	1,066,656	-	-	3,704,162
Investment in joint venture	491,615	-	-	-	-	491,615
Reinsurance assets	13,701,971	-	-	-	-	13,701,971
Debt securities						
- Held-to-maturity	255,201,098	45,944,710	-	-	-	301,145,808
- Available-for-sale	24,571,057	-	-	-	-	24,571,057
- At fair value through profit or loss	1,886,477	1,596,230	-	-	-	3,482,707
Unit trust						
- Available-for-sale	41,676,215	(7,644,954)	(1,066,656)	-	-	32,964,605
- At fair value through profit or loss	15,015,540	736,220	-	-	-	15,751,760
Equity securities						
- Available-for-sale	13,046,479	-	-	-	-	13,046,479
- At fair value through profit or loss	7,044,787	798,463	-	-	-	7,843,250
Derivatives						
- At fair value through profit or loss	226,631	-	-	-	-	226,631
Loans and receivables	7,531,985	-	-	-	-	7,531,985
Other debtors, prepayments and deposits, unsecured	1,467,899	71,664	-	-	-	1,539,563
Cash and bank deposits	32,123,442	683,233	-	-	-	32,806,675
Total assets	456,363,952	21,424,448	-	-	-	477,788,400

43 Restatement of prior year balances (Continued)

c) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of financial position as at 31 December 2020 (Continued):

	As previously reported HK$'000	Control of funds HK$'000 (Note 43(d)(1))	Significant influence over funds HK$'000 (Note 43(d)(2))	Measurement of reinsurance contracts HK$'000 (Note 43(d)(3))	Adjustment of other comprehensive income HK$'000 (Note 43(d)(4))	As restated HK$'000
Liabilities						
Insurance contract and investment						
Contract with DPF liabilities	317,605,274	-	-	-	-	317,605,274
Interest-bearing borrowings	1,931,573	-	-	-	-	1,931,573
Lease liabilities	43,680	-	-	-	-	43,680
Amounts due to reinsurers	7,903,506	-	-	3,147,507	-	11,051,013
Policyholders' funds on deposit	57,488,105	-	-	-	-	57,488,105
Other insurance liabilities	36,878,523	-	-	-	-	36,878,523
Other payables and accrued charges	4,210,294	21,195,766	-	-	-	25,406,060
Derivatives						
- At fair value through profit or loss	946	-	-	-	-	946
Deferred tax liabilities	1,328,327	(188,244)	-	-	-	1,140,083
Current tax liabilities	44,811	-	-	-	-	44,811
Total liabilities	427,435,039	21,007,522	-	3,147,507	-	451,590,068
Net assets	28,928,913	416,926	-	(3,147,507)	-	26,198,332

43 Restatement of prior year balances (Continued)

c) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of financial position as at 31 December 2020 (Continued):

	As previously reported HK$'000	Control of funds HK$'000 (Note 43(d)(1))	Significant influence over funds HK$'000 (Note 43(d)(2))	Measurement of reinsurance contracts HK$'000 (Note 43(d)(3))	Adjustment of other comprehensive income HK$'000 (Note 43(d)(4))	As restated HK$'000
Equity						
Equity attributable to owners of the parent						
Share capital	7,919,828	-	-	-	-	7,919,828
Other reserves	13,337,704	(54,641)	(403,978)	-	(527,054)	12,352,031
Retained earnings	7,626,777	242,886	403,978	(3,147,507)	527,054	5,653,188
	28,884,309	188,245	-	(3,147,507)	-	25,925,047
Non-controlling interests	44,604	228,681	-	-	-	273,285
Total equity	28,928,913	416,926	-	(3,147,507)	-	26,198,332

43 Restatement of prior year balances (Continued)

c) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of financial position as at 31 December 2019 (Continued):

	As previously reported HK$'000	Control of funds HK$'000 (Note 43(d)(1))	Significant influence over funds HK$'000 (Note 43(d)(2))	Measurement of reinsurance contracts HK$'000 (Note 43(d)(3))	Adjustment of other comprehensive income HK$'000 (Note 43(d)(4))	As restated HK$'000
Assets						
Property and equipment	4,560,275	-	-	-	-	4,560,275
Investment properties	5,553,460	9,461,938	-	-	-	15,015,398
Intangible assets	144,724	-	-	-	-	144,724
Deferred tax assets	40,373	-	-	-	-	40,373
Statutory deposit	1,500	-	-	-	-	1,500
Investment in associates	40,764,782	(31,722,481)	1,052,410	-	-	10,094,711
Investment in joint venture	457,109	-	-	-	-	457,109
Reinsurance assets	1,749,975	-	-	-	-	1,749,975
Debt securities						
- Held-to-maturity	212,418,112	43,031,811	-	-	-	255,449,923
- Available-for-sale	14,931,920	-	-	-	-	14,931,920
- At fair value through profit or loss	1,031,486	6,017,761	-	-	-	7,049,247
Unit trust						
- Available-for-sale	72,321,327	(8,584,838)	(1,052,410)	-	-	62,684,079
- At fair value through profit or loss	12,769,294	957,475	-	-	-	13,726,769
Equity securities						
- Available-for-sale	12,953,143	-	-	-	-	12,953,143
- At fair value through profit or loss	2,922,857	1,326,762	-	-	-	4,249,619
Derivatives						
- At fair value through profit or loss	17,820	-	-	-	-	17,820
Loans and receivables	7,739,867	-	-	-	-	7,739,867
Other debtors, prepayments and deposits, unsecured	1,104,073	10,858	-	-	-	1,114,931
Cash and bank deposits	24,993,220	156,403	-	-	-	25,149,623
Total assets	416,475,317	20,655,689	-	-	-	437,131,006

43 Restatement of prior year balances (Continued)

c) Summary of the effect of restatements due to correction of prior year errors on the Group's statement of financial position as at 31 December 2019 (Continued):

	As previously reported	Control of funds	Significant influence over funds	Measurement of reinsurance contracts	Adjustment of other comprehensive income	As restated
	HK$'000	HK$'000 (Note 43(d)(1))	HK$'000 (Note 43(d)(2))	HK$'000 (Note 43(d)(3))	HK$'000 (Note 43(d)(4))	HK$'000
Liabilities						
Insurance contract and investment						
Contract with DPF liabilities	293,732,163	-	-	-	-	293,732,163
Interest-bearing borrowings	1,943,972	-	-	-	-	1,943,972
Lease liabilities	49,073	-	-	-	-	49,073
Amounts due to reinsurers	2,060,185	-	-	1,000,000	-	3,060,185
Policyholders' funds on deposit	69,642,325	-	-	-	-	69,642,325
Other insurance liabilities	29,079,922	-	-	-	-	29,079,922
Other payables and accrued charges	2,630,230	20,413,786	-	-	-	23,044,016
Derivatives				-	-	
- At fair value through profit or loss	1,742	-	-	-	-	1,742
Deferred tax liabilities	357,706	(153,838)	-	-	-	203,868
Current tax liabilities	64,585	-	-	-	-	64,585
Total liabilities	399,561,903	20,259,948	-	1,000,000	-	420,821,851
Net assets	16,913,414	395,741	-	(1,000,000)	-	16,309,155
Equity						
Equity attributable to owners of the parent						
Share capital	6,762,435	-	-	-	-	6,762,435
Other reserves	6,382,565	(579,949)	(243,286)	-	-	5,559,330
Retained earnings	3,724,032	733,787	243,286	(1,000,000)	-	3,701,105
	16,869,032	153,838	-	(1,000,000)	-	16,022,870
Non-controlling interests	44,382	241,903	-	-	-	286,285
Total equity	16,913,414	395,741	-	(1,000,000)	-	16,309,155

43 Restatement of prior year balances (Continued)

d) Notes to restatement of prior year balances

1. Control of funds

The Group had control over certain investment funds that it held during the year ended 31 December 2020 and 1 January 2020. These investment funds were classified as available-for-sales financial assets and investment in associates as at 31 December 2020 and 1 January 2020.

A prior year adjustment has been made to consolidate those investment funds.

2. Significant influence over funds

The Group has significant influence over certain investment funds that were classified as available for sales financial assets. These investments funds should be classified as investment in associates as at 31 December 2020 and 1 January 2020.

A prior year adjustment has been made to reclassify the investment funds from available for sales financial assets to investment in associates.

3. Measurement of reinsurance contracts

The Group entered into a number of reinsurance contracts with third party reinsurers during the year ended 31 December 2019 and 31 December 2020. In the financial statements of the Group for the year ended 31 December 2019 and 31 December 2020, the Group did not account for certain contractual components in these reinsurance contracts in accordance with paragraph 10 of Hong Kong Financial Reporting Standard No. 4 "Insurance Contracts".

A prior year adjustment has been made to appropriately account for the substance of the contractual arrangements.

4. Adjustment of other comprehensive income

An unreconciled difference between the movement of fair value change of available-for-sales financial assets in the income statement and the corresponding fair value movement in other comprehensive income was identified. This unreconciled difference was related to prior years, and the Group has corrected this prior year error in the year ended 31 December 2021 by increasing the investment income and decreasing the other comprehensive income.

A prior year adjustment has been made to correct this prior year error.

44 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 30 June 2022.

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