FTLife Insurance Company Limited

(Incorporated in Bermuda with limited liability)

Report of the Directors and
Audited Financial Statements
30 June 2021

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Report of the directors

The directors have pleasure in presenting their annual report and the audited financial statements of FTLife Insurance Company Limited (the "Company") and its subsidiaries (together the "Group") for the eighteen months ended 30 June 2021.

Principal place of business

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981 (as amended) on 27 June 1985. The Company's principal place of business in Hong Kong is located at 15/F NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Principal activities

The Group's principal activities consist of life insurance business, administration of retirement schemes and investment holding. The Group does not carry on insurance business relating to liabilities or risks in respect of which persons are required by any ordinance to be insured.

The Company's principal activities consist of life insurance business, administration of retirement schemes and other related business. The activities of the subsidiaries are set out in Note 18 to the financial statements.

Results and dividends

The Group's profit for the eighteen months ended 30 June 2021 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 7 to 115.

No interim dividend was paid during the year in respect of all ordinary shares to the sole shareholder (2019: US$Nil). The directors do not recommend the payment of any final dividend (2019: US$Nil) for the year in respect of all ordinary shares issued to the sole shareholder.

The directors also do not recommend the payment of any dividend (2019: US$Nil) for the year in respect of all Class C redeemable preference shares issued to the sole shareholder.

On 21 September 2019, the Company executed an undertaking under which it will obtain prior written consent from the Insurance Authority before any dividend is declared or paid to the shareholder(s) of the Company.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

Share capital

Details of movements in the Company's share capital during the year are set out in note 40 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 41(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Charitable contributions

During the year, the Group made charitable contributions of HK$500,000 (2019: HK$25,000).

Directors

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

CHENG Kwok Sing, Joe	(appointed on 1 August 2021)
FANG Lin	
YANG Tak Ho Gerard	(resigned on 12 November 2020)
CHEUNG Sum, Sam	(resigned on 12 November 2020)
CHENG Chi Kong, Adrian	
CHENG Chi Ming, Brian	(resigned on 12 November 2020)
HO Gilbert Chi Hang	(resigned on 12 November 2020)
Cyril Hamilton WHITTER	
MA Siu Cheung	(appointed on 15 September 2020)

Independent Non-Executive Directors:

Stuart Hamilton LECKIE	
CHAN Ka Lok	
NG Chi Shing, Bartholomew	
CHIU King Yan	(resigned on 12 November 2020)

In accordance with bye-law 74 of the Company's bye-laws, the number of directors shall be such number not less than two as the Company by resolution may from time to time determine. Subject to the Companies Acts and the Company's bye-laws, directors shall serve until re-elected or their successors are appointed at the forthcoming Annual General Meeting.

Indemnity of directors

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' rights to acquire shares and debentures

At no time during the year was the Company or any of its holding companies 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' material interests in transactions, arrangements or contracts

Details of material related party transactions are disclosed in note 46 to the financial statements. Save as disclosed, no transaction, arrangement or contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Director

Hong Kong, 29 September 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FTLIFE INSURANCE COMPANY LIMITED
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of FTLife Insurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 115, which comprise:

- the consolidated balance sheet as at 30 June 2021;
- the Company's standalone balance sheet as at 30 June 2021;
- the consolidated statement of comprehensive income for the period from 1 January 2020 to 30 June 2021;
- the consolidated statement of changes in equity for the period from 1 January 2020 to 30 June 2021;
- the consolidated cash flow statement for the period from 1 January 2020 to 30 June 2021; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of the Company as at 30 June 2021, and of the Group's consolidated financial performance and the Group's consolidated cash flows for the period from 1 January 2020 to 30 June 2021 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FTLIFE INSURANCE COMPANY LIMITED (CONTINUED)
(incorporated in Bermuda with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors 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.

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, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FTLIFE INSURANCE COMPANY LIMITED (CONTINUED)
(incorporated in Bermuda with limited liability)

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

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.

We communicate with the directors 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 September 2021

Consolidated statement of comprehensive income for the eighteen months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Note	For the eighteen months ended 30 June 2021 $'000	For the year ended 31 December 2019 $'000
Income			
Gross premiums		13,353,275	7,736,057
Less: Reinsurance premiums		(565,804)	(292,390)
Premiums, net of reinsurance	4	12,787,471	7,443,667
Interest income	5	2,360,512	1,645,919
Dividend and other investment income	6	269,029	62,591
Realised and unrealised gains	7	2,909,790	252,655
Overlay approach adjustments	7	(933,891)	(253,350)
Fee and commission income	8	1,050,523	645,937
Gains related to investments for unit-linked contracts		1,872,640	1,299,907
Other income		10,749	5,244
Total income		20,326,823	11,102,570
Expenses			
Policy reserves, claims and benefits, net of reinsurance	9	(12,454,985)	(6,203,172)
Charges related to unit-linked contracts		(1,875,568)	(1,322,399)
Distribution commission and allowances		(2,747,975)	(2,062,288)
Change in deferred acquisition costs	19	482,419	675,362
Impairment losses	10	(56,444)	(46,680)
Operating and administrative expenses	12	(1,388,188)	(880,865)
Finance costs	11	(175,870)	(148,233)
Total expenses		(18,216,611)	(9,988,275)
Profit before tax	12	2,110,212	1,114,295

Consolidated statement of comprehensive income for the eighteen months ended 30 June 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*For the eighteen months ended 30 June 2021* $'000	*For the year ended 31 December 2019* $'000
Profit before tax (continued)	12	2,110,212	1,114,295
Tax	14	(118,245)	(67,968)
Profit for the year attributable to equity holders	15	1,991,967	1,046,327
Other comprehensive income for the year (after taxation and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges: net movement in the hedging reserve	29	(346,826)	243,285
- Amount reported in other comprehensive income applying overlay approach	23	933,891	253,350
- Shadow accounting adjustment		(916,774)	(324,017)
- Debt instruments at fair value through other comprehensive income: net movement in the FVOCI reserve (recycling)	23	185,525	4,740,932
		(144,184)	4,913,550
Items that will not be reclassified subsequently to profit or loss:			
- Fair value hedges: net movement in the hedging reserve, before and after taxation	29	502,915	-
- Equity instruments at fair value through other comprehensive income: net movement in the FVOCI reserve (non-recycling), before and after taxation	23	(301,511)	(614,531)
- Shadow accounting adjustment		17,451	(95)
		218,855	(614,626)
Other comprehensive income for the year		74,671	4,298,924
Total comprehensive income for the year attributable to equity holders		2,066,638	5,345,251

The notes on pages 18 to 115 form part of these financial statements.

Consolidated balance sheet at 30 June 2021

(Expressed in Hong Kong dollars)

	Note	At 30 June 2021 $'000	At 31 December 2019 $'000
Assets			
Property, plant and equipment	16	597,011	647,078
Intangible assets	17	151,839	111,219
Deferred acquisition costs	19	6,009,511	5,527,092
Pledged deposits	27	-	10,000
Financial assets	20	53,077,830	39,952,901
Investments related to unit-linked contracts	24	10,770,194	9,495,230
Derivative financial instruments	29	1,452,920	1,308,802
Premiums receivables	25	288,365	296,194
Prepayments, deposits and other debtors	26	1,632,167	1,181,413
Cash and cash equivalents	27	4,497,232	6,155,012
Total assets		78,477,069	64,684,941
Liabilities			
Insurance contract liabilities	36	36,810,593	26,980,443
Policyholders' dividend and bonuses	37	3,661,032	3,238,517
Investment contract liabilities	38	5,148	5,166
Liabilities related to unit-linked contracts	39	10,943,354	9,644,869
Derivative financial instruments	29	796	18,177
Interest-bearing liabilities	35	2,859,775	3,311,288
Payables to policyholders	30	1,710,791	1,487,942
Accrued expenses and other creditors	33	1,950,071	1,502,044
Tax payable		69,961	97,585
Total liabilities		58,011,521	46,286,031

Consolidated balance sheet at 30 June 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*At 30 June 2021* $'000	*At 31 December 2019* $'000
Equity			
Issued capital	40	4,085,700	4,085,700
Reserves	41	16,379,848	14,313,210
Total equity attributable to equity holders		20,465,548	18,398,910
Total liabilities and equity		78,477,069	64,684,941

Approved and authorised for issue by the board of directors on 29 September 2021.

Director

Director

Signed on behalf of the Board.

The notes on pages 18 to 115 form part of this financial statements.

Standalone balance sheet at 30 June 2021

(Expressed in Hong Kong dollars)

	Note	At 30 June 2021 $'000	At 31 December 2019 $'000
Assets			
Property, plant and equipment	16	597,011	647,078
Intangible assets	17	151,839	111,219
Deferred acquisition costs	19	6,009,511	5,527,092
Interests in subsidiaries	18	650	650
Pledged deposits	27	-	10,000
Financial assets	20	53,077,830	39,952,901
Investments related to unit-linked contracts	24	10,770,194	9,495,230
Derivative financial instruments	29	1,452,920	1,308,802
Premiums receivables	25	288,365	296,194
Prepayments, deposits and other debtors	26	1,631,777	1,181,413
Cash and cash equivalents	27	4,485,683	6,147,400
Total assets		78,465,780	64,677,979
Liabilities			
Insurance contract liabilities	36	36,810,593	26,980,443
Policyholders' dividends and bonuses	37	3,661,032	3,238,517
Investment contract liabilities	38	5,148	5,166
Liabilities related to unit-linked contracts	39	10,943,354	9,644,869
Derivative financial instruments	29	796	18,177
Amount due to a subsidiary	18	1,931,933	1,938,423
Interest-bearing liabilities	35	924,319	1,373,702
Payables to policyholders	30	1,710,791	1,487,942
Accrued expenses and other creditors	33	1,935,041	1,487,148
Tax payable		69,961	97,585
Total liabilities		57,992,968	46,271,972

Standalone balance sheet at 30 June 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*At 30 June 2021* $'000	*At 31 December 2019* $'000
Equity			
Issued capital	40	4,085,700	4,085,700
Reserves	41	16,387,112	14,320,307
Total equity attributable to equity holders		20,472,812	18,406,007
Total liabilities and equity		78,465,780	64,677,979

Approved and authorised for issue by the board of directors on 29 September 2021.

Joe Cheng

Director

Director

Signed on behalf of the Board.

The notes on pages 18 to 115 form part of this financial statements.

Consolidated statement of changes in equity for the eighteen months ended 30 June 2021
(Expressed in Hong Kong dollars)

	Issued share capital $'000	*Share premium account* $'000	*Contributed surplus* $'000	*Share option reserve* $'000	*Hedging reserve* $'000	*Shadow accounting adjustment* $'000	*FVOCI reserve (recycling)* $'000	*FVOCI reserve (non-recycling)* $'000	*Retained profits* $'000	*Total equity attributable to equity holders* $'000
Balance as at 1 January 2019	4,085,700	1,862,664	1,011,121	20,615	754,592	47,616	(75,822)	(243,182)	5,307,341	12,770,645
Changes in equity for 2019:										
Capital contribution (note 29)	-	-	283,014	-	-	-	-	-	-	283,014
Profit for the year	-	-	-	-	-	-	-	-	1,046,327	1,046,327
Other comprehensive income for the year	-	-	-	-	243,285	(324,112)	4,994,282	(614,531)	-	4,298,924
Transfer upon disposal of equities at FVOCI	-	-	-	-	-	-	-	(9,994)	9,994	-
Total comprehensive income for the year	-	-	-	-	243,285	(324,112)	4,994,282	(624,525)	1,056,321	5,345,251
Balance as at 31 December 2019	4,085,700	1,862,664*	1,294,135*	20,615*	997,877*	(276,496)*	4,918,460*	(867,707)*	6,363,662*	18,398,910
Changes in equity for the period:										
Profit for the period									1,991,967	1,991,967
Other comprehensive income for the period					156,089	(899,323)	1,119,416	(301,511)		74,671
Transfer upon disposal of equities at FVOCI	-	-	-	-				29,035	(29,035)	-
Total comprehensive income for the period	-	-	-	-	156,089	(899,323)	1,119,416	(272,476)	1,962,932	2,066,638
Balance as at 30 June 2021	4,085,700	1,862,664*	1,294,135*	20,615*	1,153,966*	(1,175,819)*	6,037,876*	(1,140,183)*	8,326,594*	20,465,548

* These reserve amounts comprised the consolidated reserves of $16,379,848,000 (2019: $14,313,210,000) in the consolidated balance sheet.

Pursuant to the transfer of ownership of the Group to NWS Holdings Limited, Bright Victory International Limited ("BVI") agreed to buy back certain equity investments of the Group at a specified price within a specified transaction period. This results in a capital contribution in form of a derivative financial instrument as at 31 October 2019. See note 29 for details.

The notes on pages 18 to 115 form part of this financial statements.

Consolidated cash flow statement for the eighteen months ended 30 June 2021

(Expressed in Hong Kong dollars)

	Note	*For the eighteen months ended 30 June 2021* $'000	*For the year ended 31 December 2019* $'000
Cash flows from operating activities			
Profit before tax		2,110,212	1,114,295
Adjustments for:			
Finance costs	11	175,870	148,233
Depreciation of property, plant and equipment	16	63,155	36,712
Depreciation of right-of-use assets relating to leased properties	16	187,751	113,957
Amortisation of intangible assets	17	54,964	34,769
Loss on disposal of property, plant and equipment		1,310	1,365
Loss on early termination of right-of-use relating to leased properties	16	-	11,292
Interest income from policy loans, loans to agents and others	5	(62,383)	(39,126)
Interest income from bonds, deposits and cash and cash equivalents	5	(2,298,129)	(1,546,818)
Interest income from loan to an intermediate holding company	5	-	(59,975)
Dividend income from listed and unlisted investments	6	(265,424)	(62,546)
Dividend income related to investments for unit-linked contracts		(15,576)	(12,979)
Net realised and unrealised capital gains on financial assets at fair value through profit or loss related to investments for unit-linked contracts		(1,857,064)	(1,286,928)
Fair value gains:			
Derivative asset		-	(15,840)
Realised and unrealised capital gains on investments	7	(2,889,041)	(293,549)
Overlay approach adjustments	7	933,891	253,350
Impairment loss on loans to agents	10	23,717	58,159
Impairment loss on financial assets measured at FVOCI	10	59,802	-
Reversal of impairment loss on loans to agents	10	(26,366)	(4,813)
Reversal of impairment loss on premiums receivables	10	(709)	(3,268)
Reversal of impairment loss on financial assets measured at FVOCI	10	-	(3,398)

Consolidated cash flow statement for the eighteen months ended 30 June 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*For the eighteen months ended 30 June 2021* $'000	*For the year ended 31 December 2019* $'000
Cash flows from operating activities (continued)			
Operating cash flows before changes in working capital		(3,804,020)	(1,557,108)
Increase in policy loans		(30,660)	(17,269)
Increase in loans to agents and other loan		(39,240)	(9,195)
Decrease/(increase) in amounts due from intermediate holding companies		-	1,861,064
Decrease in amount due from the immediate holding company		-	27,396
Increase in deferred acquisition costs	19	(482,419)	(675,362)
Decrease/(increase) in premiums receivables		8,538	(55,269)
Decrease/(increase) in prepayments, deposits and other debtors		205,486	(160,152)
Purchases of other financial assets		(25,200,870)	(10,311,189)
Proceeds from disposal of other financial assets		14,947,134	6,963,222
Purchases of financial assets related to unit-linked contracts at fair value through profit or loss		(9,688,841)	(4,313,872)
Proceeds from disposal of financial assets related to unit-linked contracts at fair value through profit or loss		10,028,992	4,584,936
Increase in payables to policyholders		222,849	156,021
(Decrease)/increase in accrued expenses and other creditors		(24,244)	502,622
Decrease in investment contract liabilities		(18)	(327)
Increase in insurance contract liabilities		8,930,825	3,952,244
Increase in policyholders' dividends and bonuses		422,515	268,616
Increase in liabilities related to unit-linked contracts		1,298,485	1,061,526
Cash (used in)/generate from operations		(3,205,488)	2,277,904

Consolidated cash flow statement for the eighteen months ended 30 June 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*For the eighteen months ended 30 June 2021* $'000	*For the year ended 31 December 2019* $'000
Cash flows from operating activities (continued)			
Interest received from policy loans, loans to agents and other loan		62,383	39,126
Interest received from bonds, deposits and cash and cash equivalents		2,287,351	1,846,172
Interest received from a loan to an intermediate holding company		–	73,068
Interest paid on cross-currency swap agreements		(115,227)	(140,020)
Interest received from cross-currency swap agreements		113,080	132,310
Dividends received from listed and unlisted investments and investments related to unit-linked contracts		275,694	76,702
Interest paid on cash collateral received for cross-currency swap agreements and forward starting swap agreements		(4,597)	(20,509)
Interest paid on interest-bearing liabilities		(126,321)	(91,478)
Hong Kong profits tax paid		(145,869)	-
(Decrease)/increase in cash collateral received from counterparties		(364,027)	298,416
Net cash (outflow)/inflow from operating activities		(1,223,021)	4,491,691
Cash flows from investing activities			
Purchases of property, plant and equipment	16	(62,737)	(36,335)
Proceeds from disposal of property, plant and equipment		194	-
Acquisition of right-of-use assets relating to leased properties	16	-	(203,883)
Purchases of intangible assets	17	(95,584)	(83,758)
Decrease in pledged deposits		10,000	-
Net cash outflow from investing activities		(148,127)	(323,976)

Consolidated cash flow statement for the eighteen months ended 30 June 2021 (continued)

(Expressed in Hong Kong dollars)

	Note	*For the eighteen months ended 30 June 2021* $'000	*For the year ended 31 December 2019* $'000
Cash flows from financing activities			
Repayment of financing under a financial reinsurance arrangement	27(b)	(102,744)	(81,656)
Capital element of lease rentals paid		(162,736)	(96,435)
Interest element of lease rentals paid		(28,710)	(17,268)
Net cash outflow from financing activities		(294,190)	(195,359)
Net (decrease)/increase in cash and cash equivalents		(1,665,338)	3,972,356
Cash and cash equivalents at beginning of year		6,215,638	2,243,282
Cash and cash equivalents at end of year		4,550,300	6,215,638
Analysis of balances of cash and cash equivalents			
Cash and bank balances	27(a)	2,547,713	2,662,076
Non-pledged time deposits with original maturity of less than three months	27(a)	1,949,519	3,492,936
		4,497,232	6,155,012
Cash and cash equivalents attributable to investments related to unit-linked contracts	24	53,068	60,626
		4,550,300	6,215,638

The notes on pages 18 to 115 form part of this financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Corporate statements

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981 (as amended) on 27 June 1985. The Company's principal place of business in Hong Kong is located at 15/F NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Company has been principally engaged in the provision of an extensive range of whole life, endowment, unit-linked and term life insurance products to individuals in Hong Kong as well as other insurance products which included accident, medical and disability insurance, to individuals, and employee groups, and general insurance products through agency and broker arrangements. The Company is also engaged in the administration of retirement schemes. The Company does not accept reinsurance inward business.

In the opinion of the directors, the immediate holding company of the Company is Earning Star Limited which is incorporated in Hong Kong. The intermediate holding company of the Company is NWS Holdings Limited which is incorporated in Bermuda and listed in Hong Kong Stock Exchange. The ultimate holding company of the Company is New World Development Company Limited ("NWD") which is incorporated in Hong Kong and listed on Hong Kong Stock Exchange.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures

2.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment in certain debt and equity securities and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements. Note 2.3 provides information on revised and new accounting standards and interpretations issued but not yet effective for the current accounting period.

On 23 June 2020, the board of directors of the Company resolved to change the financial year end date of the Group from 31 December to 30 June and the accounting period ended 31 December 2020 was to be extended to 30 June 2021. The change is to align the Group's financial year end date with the financial year end of NWS Holdings Limited.

Accordingly, the current financial period covers an eighteen months period from 1 January 2020 to 30 June 2021 with the comparative financial period from 1 January 2019 to 31 December 2019.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.1 Basis of preparation (continued)

Consequently, the comparable amount of the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated cash flow statements and related notes are not comparable in so far as they related to a shorter period than the current period.

2.2 Impact of new interpretations and amendments to Hong Kong Financial Reporting Standards

New and revised HKFRSs applied for the financial period ended 30 June 2021

For the financial period ended 30 June 2021, the Group has applied the following amendment to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to these consolidated financial statements.

Amendment to HKFRS 16, Covid-19 Related Rent Concessions

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

<u>Amendment to HKFRS 16, Covid-19-Related Rent Concessions</u>

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment but as there were no qualifying COVID19-related rent concessions granted to the Group during the year, there is no impact to the Group's results for the current period.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective for the eighteen months ended 30 June 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance Contracts, which are not yet effective for the financial period ended 30 June 2021 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to 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 to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17, Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined by the IASB

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 17, "Insurance contracts" (effective from 1 January 2023)

HKFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of HKFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts, which replaces HKFRS 4 Insurance Contracts.

In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, HKFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective for the eighteen months ended 30 June 2021 (continued)

HKFRS 17, "Insurance contracts" (effective from 1 January 2023) (continued)

- The main features of the new accounting model for insurance contracts are as follows:
- The fulfilment cash flows including the expected present value of future cash flows and explicit risk adjustment, remeasured every reporting period;
- A contractual service margin represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the coverage period;
- Certain changes in the expected present value of future cash flows are adjusted against the contractual service margin and thereby recognized in profit or loss over the remaining coverage period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the statement of comprehensive income, but are recognized directly on the statement of financial position;
- Insurance services results are presented separately from the insurance finance income or expenses;
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IASB finalized and issued the amendments to IFRS 17 in June 2020. The amendments to IFRS 17 provide, among other things, to:

- Defer the effective date from 1 January 2021 to 1 January 2023.
- Provide scope exclusions for credit card contracts and loan contracts.
- Allocate acquisition costs to expected contract renewals.
- Attribute profit (contractual service margin) to service relating to investment activities.
- Extend applicability of the risk mitigation option.
- Reduce accounting mismatches for reinsurance.
- Simplify balance sheet presentation.
- Provide additional transition relief.

HKFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. If the Company applies HKFRS 17 earlier, it shall disclose that fact. Early application is permitted for Company that apply HKFRS 9 Financial Instruments on or before the date of initial application of HKFRS 17. HKFRS 17 Standards is expected to have a material impact on the Company. The Company is in the midst of conducting a detailed assessment of the new standard.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies

(a) Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.4 (o).

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(b) Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency and Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the profit or loss for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

(c) Product classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts for which the Group has accepted significant insurance risk from policyholders providing coverage at the inception of the contract. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. The Group also accepts financial risk on insurance contracts. Financial risk is the risk of a possible future change in a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variables.

Investment contracts are those contracts on which the Group accepts financial risk but that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(d) Insurance contract liabilities

Insurance contract liabilities represent net future policy liabilities as determined by the appointed actuary of the Group using a net level premium approach.

The provision for life insurance contracts with fixed level premiums is calculated on the basis of the prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing. The liability is determined as the sum of the expected discounted value of the benefit payments, less the expected discounted value of the theoretical premiums that would be required to meet the benefits, based on the valuation assumptions as to discount rates, mortality and morbidity rates, lapse and partial lapse rates, expense, inflation, policy dividend and fund growth rate that are appropriate at the time of valuation. Changes to the liabilities at each reporting date are recorded in the profit or loss or other comprehensive income for the year as appropriate. The liabilities on yearly renewable premium contracts are the liabilities for the unexpired risks carried at the end of the reporting period. The liability is derecognised when the contract expires, is discharged or is cancelled.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(d) Insurance contract liabilities (continued)

For insurance with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, the liabilities are the unearned gross premiums.

(e) Investment contract liabilities

Liabilities for investment contracts are carried at fair values.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statements of financial position.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

(f) Reinsurance

The Group cedes insurance risk in the normal course of business for its insurance contracts. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the insurance contract liabilities and are in accordance with the reinsurance contract and are accounted for in the same period as the underlying claim.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated income statement for the year.

Reinsurance arrangements do not relieve the Group from its obligations to policyholders.

(g) Deferred acquisition costs ("DAC")

The direct acquisition costs and a portion of indirect acquisition costs relating to the production of new business are deferred in so far as there are sufficient margins in the future profits of the new business to fund the amortisation of DAC. DAC include first year commissions and other costs related to the acquisition of new business. All other acquisition costs and all maintenance costs are expensed as and when incurred.

The Group has adopted an approach by which DAC of new business is amortised according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions and actual persistency.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(h) Shadow accounting

Shadow accounting is applied to insurance contracts with discretionary participation feature ("DPF") where financial assets backing insurance contract liabilities are classified as fair value through other comprehensive income. Shadow accounting is applied to insurance contract liabilities with DPF to take into account the effect of unrealised gains or losses on insurance liabilities or assets that are recognised in other comprehensive income in the same way as for a realised gain or loss recognised in the consolidated statement of comprehensive income. Such assets or liabilities are adjusted with corresponding charges or credits recognised directly in shareholders' equity as a component of the related unrealised gains and losses.

(i) Liability adequacy test

A liability adequacy test is performed at each reporting date to verify whether the insurance contract liabilities, net of DAC, are adequate using current estimates of future cash flows under the insurance contracts. The liability value is adjusted if insufficient to meet future obligations, taking into account future premiums, investment income, benefits and expenses and cash flows from embedded options and guarantees. If the test shows that a deficiency exists, the shortfall is immediately recorded in the consolidated income statement for the year.

(j) Premiums

Premiums arising from insurance contracts in respect of traditional policies and group policies are recognised as income when they fall due, whereas those in respect of universal life and unit-linked contracts are accounted for as they are received.

Premiums on reinsurance contracts held which related to direct insurance contracts are recognized in profit or loss in the same accounting period as the premiums for the direct insurance contracts to which they relate.

(k) Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services and investment management services. The policy administration fee is recognised as revenue over time when services are rendered. Investment management fees related to asset management services are recognised over time when services are rendered.

(l) Benefits and insurance claims

Death claims and surrenders are recorded when notifications have been received. Maturities and annuity payments are recorded when due. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

(m) Commissions

Commissions and bonuses payable to agents for the first policy year are included as a component of DAC.

Commissions received on reinsurance policies that transfer underwriting risk are recognised as income at the same time as the reinsurance premiums are accounted for.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(n) Investments and other financial assets

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 42(b). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

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

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

Equity investments

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

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(n) Investments and other financial assets (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. For details of the valuation technique employed, please refer to note 42 to the consolidated financial statements.

(o) Credit losses and impairment of financial assets

An entity can reflect risks specific to the cash flows in either the discount rate or the cash shortfalls being discounted.

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

- financial assets measured at amortised cost (including cash and cash equivalents, prepayments, deposits and other debtors, policy loans, loans to agents and corporate agents, other loan, pledged deposits); and

- debt securities measured at FVOCI (recycling).

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

Measurement of ECLs

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

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

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

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

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

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

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

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

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

Classification of financial assets by Stage I, Stage II and Stage III

Stage I: Financial instruments without a significant increase in credit risk since initial purchase. For the avoidance of doubt, all assets rated as investment grade are Stage I assets.

Stage II: Financial instruments with a significant increase in credit risk since initial purchase. Non-investment grade financial assets with credit rating downgraded by more than three notches or market value dropped by 25% or more since initial purchase are considered as a significant increase in credit risk.

Stage III: Financial instruments that have payment default in accordance with the terms and conditions of such financial instruments.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial instrument has payment default in accordance with the terms and conditions of the agreement. There is a rebuttable presumption that default does not occur later than 90 days past due unless the Group has reasonable and supportable information to support a more lagging default criterion. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- market value dropped by 25%; and
- credit rating downgraded by more than three notches.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

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

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2.4(ah) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Incorporation of forward economic guidance ("FEG")

As an adjustment factor, FEG considers the probability of bear case economy, base case economy and bull case economy based on the economy growth forecast published by the World Bank. When estimating such a probability, an empirical study of historical economy growth based on assumed normal distribution is performed. The Group considers and applies the impact of FEG to the ECL measurement.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

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

Write-off policy

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

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

(p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where FTLife Insurance Company Limited currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. FTLife Insurance Company Limited has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract

(q) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(q) Derecognition of financial assets (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(r) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as cross currency swap agreements, forward starting swap agreements and forward exchange agreements to hedge its risks associated with foreign currency exchange rate and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.
Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit or loss for the year.

For details for the valuation techniques employed, please refer to note 42 to the consolidated financial statements.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised immediately in the profit or loss for the year.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(r) Derivative financial instruments and hedging (continued)

Amounts taken to other comprehensive income are transferred to the profit or loss for the year when the hedged transaction affects the profit or loss for the year, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in other comprehensive income are transferred to the profit or loss for the year. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment occurs.

(s) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss for the year in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis so as to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

- Computer equipment	3 to 5 years
- Furniture, fixtures and equipment	5 years or the life of the lease contract, whichever is shorter
- Vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss for the year in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(t) Leased assets

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

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group account for lease component and non-lease components separately for all leases.

At the lease commencement date, the Group recognize a right-of-use asset and a right-of- use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group, are primarily laptops, office furniture and property, plant and machinery with remaining lease term of 12 months or less. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases with those leases which are not capitalized are recognized as an expense in the accounting period in which they are incurred.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.4 (s)).

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

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(t) Leased assets (continued)

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

(u) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2.4(v)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2.4(v)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Computer software	3 to 5 years or the estimated useful life, whichever is shorter

Both the period and method of amortisation are reviewed annually.

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

(v) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, and deferred acquisition costs arising from the contractual rights under insurance contracts, are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(v) Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss for the year in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss for the year in the period in which it arises.

(w) Premiums receivables

Premiums receivables represent premiums which are due for payment. The Group normally allows policyholders to make payment within a grace period of one month from the due date. The grace period may be extended by management on a discretionary basis. Insurance policies continue to remain in force if default premiums are settled before the expiry of the grace period.

Premiums receivables are stated at amortised cost using the effective interest rate method less provision for impairment.

(x) Prepayments

Prepayments made in connection with the recruitment of agents are capitalised and amortised to the profit or loss for the year over the term of the contract with the agent.

(y) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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 balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use and not attributable to investments related to unit-linked contracts.

Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2.4(o).

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(z) Financial liabilities at amortised cost (including interest-bearing notes and borrowings)

Financial liabilities including payables to policyholders, other payables, interest-bearing notes, and policyholders' dividends and bonuses are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the profit or loss for the year.

Gains and losses are recognised in the profit or loss for the year when the liabilities are derecognised as well as through the amortisation process.

(aa) 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 sale in the near term. Derivatives, including 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 profit or loss for the year. The net fair value gain or loss recognised in the profit or loss for the year does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

(ab) 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 the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss for the year.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(ac) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(ad) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(ae) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

(af) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the profit or loss for the year, or in other comprehensive income or equity if it relates to items that are recognised in the same or a different period directly in other comprehensive income or equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(af) Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, any previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(ag) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(ag) Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss for the year.

(ah) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

For financial assets measured at amortised cost or FVOCI (recycling) that are credit- impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.4(o)).

(ai) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established.

(aj) Realised gains and losses on investments

Realised gains and losses on investments are determined as the difference between the sales proceeds and cost or amortised cost. For equity securities and interests in investment funds, the cost is determined by using a weighted average per portfolio.

(ak) Borrowing costs

Other borrowing costs are expensed in the period in which they are incurred.

(al) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

2 Application of new and revised Hong Kong Financial Reporting Standards and disclosures (continued)

2.4 Summary of significant accounting policies (continued)

(al) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

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

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

(iii) Both entities 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); or

(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 Group's parent.

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

(am) Going Concern

Taking into consideration the expected settlement pattern for insurance contract liabilities, it is reasonable to expect that the Group will have adequate resources to meet its liabilities in the next 12 months as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

(an) Comparative figures

Comparative figures have been adjusted, where necessary, to comfort to the basis of presentation and the classification used in the current year.

3 Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures as at the reporting date. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Product classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance and investment contracts is discussed in more detail in note 2.4.

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. Typically, these are contracts which contain a significant savings component. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Life insurance contract liabilities

The estimation of the ultimate liabilities arising from claims made under life insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately pay for those claims.

3 Significant accounting judgements and estimates (continued)

(b) *Estimation uncertainty (continued)*

Life insurance contract liabilities (continued)

The valuation of insurance contract liabilities requires the use of appropriate actuarial methodologies and also various economic and operational assumptions. The assumptions used in measuring the insurance contract liabilities include discount rates, mortality and morbidity rates, lapse and partial lapse rates, persistency, expenses, inflation, policy dividend and fund growth rate. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect historical mortality experience, adjusted, where appropriate, to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover by reserves, which in return is monitored against the current and future premiums. Lapse rates are based on the historical experience of the Group. Expenses are based on the renewal compensation cost structure and the maintenance expenses level of the Group. Discount rates are based on the investment strategy of the Group, with due regard to the expected recurring return on assets backing the insurance contracts.

Estimates for discount rates, mortality rates, lapse rates and expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

The carrying value at the balance sheet date of the current year life insurance contract liabilities, net of policyholders' dividends and bonuses was $37,617,181,000 (2019: $27,667,116,000).

DAC

The Group has adopted an approach by which DAC of new business is amortised according to the expected future premiums or expected future profits, which are projected based on the Group's best estimate assumptions, and actual persistency. Assumptions as to projected future premiums or expected future profits are made at the date of policy issue and are applied during the lives of the contracts consistently. Judgements are exercised in making appropriate estimate of future premiums or expected future profits.

Fair value of financial assets and derivative financial instruments determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country-specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

3 Significant accounting judgements and estimates (continued)

(b) Estimation uncertainty (continued)

Fair value of financial assets and derivative financial instruments determined using valuation techniques (continued)

For an option pricing model, before a discounted cash flow analysis is performed, simulations are projected based on historical observation trends as well as current market rates and information that are applicable to the underlying financial instrument.

The carrying values at the balance sheet date of financial assets measured at fair value, derivative financial assets and derivative financial liabilities are $63,222,976,000, $1,452,920,000 and $796,000 respectively. (2019: $48,888,074,000, $1,308,802,000 and $18,177,000 respectively).

Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.
When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows.

Expected credit loss on financial assets

The Group is required to calculate expected credit losses of financial assets measured at amortised cost and debt securities measured at FVOCI (recycling) under HKFRS 9 (see note 2.4(o)). Factors that determine expected credit loss are credit quality, probability of default ("PD"), loss given default ("LGD") and forecast of economic growth factor.

To determine lifetime and 12-month PD, the Group refers to PD tables supplied by Moody's, which are derived based on default history of obligors with the same credit rating. The Group has considered the forward looking information by incorporated a set of weighted average different economic scenarios developed by Moody's.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD for Stage I financial assets based on recovery rates from Moody's recovery study. For the year ended 2019, amounts due from former intermediate holding companies and certain bonds issued by a former fellow subsidiary, which are Stage II financial assets, management considers there is reasonable and supportable information to rebut the presumption that there was a default in payment for the purpose of applying HKFRS 9. Management determines the LGD estimates for these financial assets to be immaterial after considering certain factors including successful sale of the Group and credit risk protection available from its former group companies.

4 Premiums, net of reinsurance

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Gross premiums on life insurance contracts:		
Non-linked	13,020,808	7,535,629
Unit-linked	332,467	200,428
	13,353,275	7,736,057
Reinsurers' share of life insurance contracts premiums:		
Non-linked	(560,476)	(289,766)
Unit-linked	(5,328)	(2,624)
	(565,804)	(292,390)
Premiums, net of reinsurance	12,787,471	7,443,667

Further analysis of gross premiums is as follows:

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Single premiums	2,139,673	684,819
First year premiums	2,196,440	1,798,922
Renewal premiums	9,017,162	5,252,316
Gross premiums on life insurance contracts	13,353,275	7,736,057

5 Interest income

For the eighteen months ended 30 June, interest income is broken down as follows:

	Group	
	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Interest income from listed bonds	2,102,122	1,257,262
Interest income from unlisted bonds	178,709	250,784
Interest income from deposits and cash and cash equivalents	16,272	38,772
Interest income from policy loans, loans to agents and others	62,383	39,126
Interest income from a loan to a former intermediate holding company (note 46(a))	-	59,975
Others	1,026	-
Total interest income	2,360,512	1,645,919

6 Dividend and other investment income

The details of dividend and other investment income for the eighteen months ended 30 June are shown below:

	Group	
	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Dividend income from listed investments	159,350	44,728
Dividend income from unlisted investments	106,074	17,818
Rebate income from investment	3,605	45
Total dividend and other investment income	269,029	62,591

7 Realised and unrealised gains

For the eighteen months ended 30 June, realised and unrealised gains are broken down as follows:

	Group For the eighteen months ended 30 June 2021 $'000	For the year ended 31 December 2019 $'000
Realised and unrealised gains on investments:		
Listed financial assets at FVOCI (recycling)	1,642,552	34,270
Unlisted financial assets at FVOCI (recycling)	22,121	210
Listed financial assets at FVPL	816,638	246,602
Unlisted financial assets at FVPL	407,730	12,467
Total realised and unrealised gains on investments	2,889,041	293,549
Other realized and unrealized gains/(losses)	20,749	(40,894)
	2,909,790	252,655

For financial assets at FVPL being accounted under the overlay approach, the amounts charged to the consolidated income statements reported with and without overlay adjustments for the eighteen months ended 30 June 2021 are stated as below.

The Group have applied the overlay adjustments for those financial assets classified as Available-for-Sale under HKAS 39 but they are classified as FVPL under HKFRS 9, which includes equity instruments and investment funds which were not initially designated as FVOCI.

	Group For the eighteen months ended 30 June 2021 $'000	For the year ended 31 December 2019 $'000
Realised and unrealised capital gains on investments:		
Amount reported in profit or loss applying HKFRS 9, financial assets to which overlay approach is applied	1,170,500	253,350
Overlay approach adjustment	(933,891)	(253,350)
Amount that would have been reported in profit or loss if HKAS 39 had been applied, financial assets to which overlay approach is applied	236,609	-

8 Fee and commission income

For the eighteen months ended 30 June, fee and commission income is broken down as follows:

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Reinsurance commission income	59,924	1,738
Fee income on insurance and investment contracts	886,945	579,533
Fee on referral business and commission income for general insurance and MPF	13,169	8,755
Others	90,485	55,911
Total fee and commission income	1,050,523	645,937

9 Policy reserves, claims and benefits, net of reinsurance

The details of policy reserves, claims and benefits, net of reinsurance are shown below:

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Claims	1,247,051	809,327
Reinsurers' and coinsurers' share of claims	(338,836)	(223,992)
Claims, net of reinsurers' and coinsurers' share	908,215	585,335
Surrenders, annuities and maturities	1,702,466	1,130,733
Reinsurers' and coinsurers' share	(42,054)	(114,060)
	1,660,412	1,016,673
Policyholders' dividends and interests	539,023	350,007
Incentives to policyholders	354,825	177,859
Increase in insurance contract liabilities	8,992,510	4,073,298
Total policy reserves, claims and benefits, net of reinsurance	12,454,985	6,203,172

10 Impairment losses

For the eighteen months ended 30 June, impairment losses are broken down as follows:

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Impairment loss on loans to agents (note 22)	23,717	58,159
Impairment loss on financial assets measured at FVOCI (note 23)	59,802	-
Reversal of impairment loss on financial assets measured at FVOCI (recycling) (note 23)	-	(3,398)
Reversal of impairment loss on premiums receivables (note 25)	(709)	(3,268)
Reversal of impairment loss on loans to agents (note 22)	(26,366)	(4,813)
Total impairment losses	56,444	46,680

11 Finance costs

For the eighteen months ended 30 June, finance costs are broken down as follows:

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Interest on interest-bearing notes	124,144	83,449
Net interest expense on cross currency swap agreements (Note (i))	1,031	6,737
Interest on financing received under a financial reinsurance arrangement (Note (ii))	17,388	19,822
Interest on cash collateral received for cross currency swap agreements and forward starting swap agreements (Note (i))	4,597	20,509
Interest on lease liabilities	28,710	17,716
	175,870	148,233

Notes:

(i) Please refer to note 29 to the consolidated financial statements for information on financial derivative arrangements the Group has entered into.

(ii) Please refer to note 35 to the consolidated financial statements for information on the financial reinsurance arrangement the Group has entered into.

12 Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Loss on disposal of property, plant and equipment and right-of-use assets of leased properties	1,310	-
Auditors' remuneration	3,008	2,670
Depreciation from property, plant and equipment (note 16)	250,906	150,669
Amortisation of intangible assets (note 17)	54,964	34,769
Net foreign exchange	(22,059)	(55,835)
Amortisation of deferred acquisition costs (Note (i) and note 19)	1,512,356	940,816
Short term lease rentals on land and buildings	758	14,647
Employee benefit expenses (including directors' remuneration (note 13)):		
- Wages and salaries	568,466	343,847
- Net retirement benefit scheme contributions for employees	30,928	19,231
- Other benefits	59,436	34,678
Total employee benefit expenses	658,830	397,756
Net retirement benefit scheme contributions for agents	31,749	23,337

Note

(i) The amortisation of deferred acquisition costs for the year is included in "Change in deferred acquisition costs" in the consolidated statement of comprehensive income, and is disclosed in note 19 to the consolidated financial statements.

13 Directors' remuneration

Directors' remuneration for the eighteen months ended 30 June 2021 is as follows:

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Executive and non-executive directors:		
Fees	4,410	570
Salaries, allowances and benefits in kind	55,776	25,026
Contributions to retirement benefits schemes	1,414	964
	61,600	26,560

There was no arrangement under which a director waived or agreed to waive any remuneration during the eighteen months ended 30 June 2021(2019: $Nil). The aggregate amount of the three highest paid directors was $57,190,000 (2019: $25,990,000).

14 Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the eighteen months ended 30 June 2021 arising in Hong Kong where the Group operates.

The assessable profits of the Group are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance. Tax for the long term insurance business, as defined by the Inland Revenue Ordinance, is computed at a rate of 16.5% (2019: 16.5%) of 5% of net premiums (gross premiums received less reinsurance premiums ceded) of the life insurance business in accordance with Section 23(1)(a) of the Inland Revenue Ordinance.

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Current - Hong Kong		
Provision for the year and total tax charge for the year	118,245	67,968

14 Tax (continued)

	For the eighteen months ended 30 June 2021 $'000		*For the year ended 31 December 2019* $'000	
Profit before tax	2,110,212	%	1,114,295	%
Tax at the statutory rate	348,185	16.5	183,859	16.5
Tax on 5% of net premiums of life insurance business	114,033	5.4	66,983	6.1
Results of life insurance business and other businesses not taxable at the statutory rate	(343,973)	(16.3)	(182,874)	(16.4)
Tax charge at the Group's effective rate	118,245	5.6	67,968	6.2

The Group has tax losses arising in Hong Kong of $7,001,000 (2019: $6,907,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 30 June 2021, there were no significant unrecognised deferred tax liabilities (2019: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liability to additional tax should such amounts be remitted.

15 Profit for the year attributable to equity holders

The consolidated profit attributable to equity holders for the eighteen months ended 30 June 2021 includes a profit of $1,992,134,000 (2019: $1,046,220,000) which has been dealt with in the financial statements of the Company (note 41(b)).

16 Property, plant and equipment

At 30 June 2021

	Group and Company				
	Computer equipment $'000	*Vehicles* $'000	*Furniture, fixtures and equipment* $'000	*Right-of-use assets of leased properties* $'000	*Total* $'000
At 1 January 2020:					
Cost	30,139	589	169,529	649,918	850,175
Accumulated depreciation	(17,039)	(167)	(58,557)	(127,334)	(203,097)
Net carrying amount	13,100	422	110,972	522,584	647,078
At 1 January 2020, net of accumulated depreciation	13,100	422	110,972	522,584	647,078
Additions	23,201	-	39,536	137,179	199,916
Reinstatement cost remeasure	-	-	-	2,427	2,427
Depreciation during the year	(9,091)	(39)	(54,025)	(187,751)	(250,906)
Disposal, net of accumulated depreciation	(145)	(383)	(976)	-	(1,504)
At 30 June 2021, net of accumulated depreciation	27,065	-	95,507	474,439	597,011
At 30 June 2021:					
Cost	52,073	-	192,940	720,891	965,904
Accumulated depreciation	(25,008)	-	(97,433)	(246,452)	(368,893)
Net carrying amount	27,065	-	95,507	474,439	597,011

16 Property, plant and equipment (continued)

At 31 December 2019

	Group and Company				
	Computer equipment $'000	*Vehicles* $'000	*Furniture, fixtures and equipment* $'000	*Right-of-use assets of leased properties* $'000	*Total* $'000
At 31 December 2018:					
Cost	22,142	589	152,657	-	175,388
Accumulated depreciation	(13,930)	(50)	(35,172)	-	(49,152)
	8,212	539	117,485	-	126,236
Impact on initial application of HKFRS 16 (Note)	-	-	-	443,950	443,950
At 1 January 2019:					
Cost	22,142	589	152,657	470,267	645,655
Accumulated depreciation	(13,930)	(50)	(35,172)	(26,317)	(75,469)
Net carrying amount	8,212	539	117,485	443,950	570,186
At 1 January 2019, net of accumulated depreciation	8,212	539	117,485	443,950	570,186
Additions	8,264	-	28,071	203,883	240,218
Depreciation during the year	(3,376)	(117)	(33,219)	(113,957)	(150,669)
Disposal, net of accumulated depreciation	-	-	(1,365)	(11,292)	(12,657)
At 31 December 2019, net of accumulated depreciation	13,100	422	110,972	522,584	647,078
At 31 December 2019:					
Cost	30,139	589	169,529	649,918	850,175
Accumulated depreciation	(17,039)	(167)	(58,557)	(127,334)	(203,097)
Net carrying amount	13,100	422	110,972	522,584	647,078

17 Intangible assets

Group and Company

	Computer software $'000
At 1 January 2020:	
Cost	346,418
Accumulated amortisation	(235,199)
Net carrying amount	111,219
At 1 January 2020, net of accumulated amortisation	111,219
Additions	95,584
Amortisation during the year	(54,964)
Disposal, net of accumulated amortisation	-
At 30 June 2021, net of accumulated amortisation	151,839
At 30 June 2021:	
Cost	441,930
Accumulated amortisation	(290,091)
Net carrying amount	151,839

	Computer software $'000
At 1 January 2019:	
Cost	262,660
Accumulated amortisation	(200,430)
Net carrying amount	62,230
At 1 January 2019, net of accumulated amortisation	62,230
Additions	83,758
Amortisation during the year	(34,769)
Disposal, net of accumulated amortisation	-
At 31 December 2019, net of accumulated amortisation	111,219
At 31 December 2019:	
Cost	346,418
Accumulated amortisation	(235,199)
Net carrying amount	111,219

18 Interests in subsidiaries and amount due to a subsidiary

	Company	
	At 30 June 2021 $'000	*At 31 December 2019* $'000
Unlisted shares, at cost	650	650
Amount due to a subsidiary	(1,931,933)	(1,938,423)

On 26 April 2013, a loan of US$250,000,000 was obtained from a subsidiary and is unsecured, interest-bearing at 4.215% per annum and repayable on 25 April 2023. Interest is payable semi-annually in arrears on 25 April and 25 October in each year.

The loan of US$250,000,000 has a fair value approximately of $2,030,598,000 as at 30 June 2021 (2019: $2,007,431,000) and is classified as a level 2 financial instrument in the fair value hierarchy. The fair value of the loan is determined based on its discounted cashflow with the credit risk of the issuer taken into consideration. Further details of fair value classification are discussed in note 42(b) to the consolidated financial statements.

Particulars of all subsidiaries are as follows:

Name	*Place of incorporation and operations*	*Nominal value of issued share capital*	*Percentage of equity attributable to the Company* Direct	Indirect	*Principal activities*
FTL Capital Limited	British Virgin Islands	Ordinary US$1	100%	-	Bond issuance
FTL Wealth Management (HK) Limited	Hong Kong	Ordinary HK$650,000	100%	-	Inactive

19 Deferred acquisition costs

	Group and Company For the eighteen months ended 30 June 2021 $'000	For the year ended 31 December 2019 $'000
At 1 January	5,527,092	4,851,730
Additions: New business	1,994,775	1,616,178
Less: Amortisation (note 12)	(1,512,356)	(940,816)
Change in deferred acquisition costs	482,419	675,362
At 30 June / 31 December	6,009,511	5,527,092

The maturity profile for DAC is stated as below:

	Group and Company At 30 June 2021 $'000	At 31 December 2019 $'000
To be amortised within one year	947,804	846,528
To be amortised after one year	5,061,707	4,680,564
	6,009,511	5,527,092

A sensitivity analysis for DAC is provided below:

30 June 2021

	Group and Company Assumption change	Decrease in profit before tax $'000	Decrease in equity $'000
Mortality	+10%	(1,787)	(1,787)
Investment return	-0.5%	(17,674)	(17,674)

31 December 2019

	Group and Company Assumption change	Decrease in profit before tax $'000	Decrease in equity $'000
Mortality	+10%	(1,459)	(1,459)
Investment return	-0.5%	(12,672)	(12,672)

20 Financial assets

	Note	*Group and Company* At 30 June 2021 $'000	At 31 December 2019 $'000
Financials assets:			
Policy loans	21	506,350	475,690
Loans to agents	22	65,630	23,741
Other financial assets	23	52,505,850	39,453,470
Total financial assets		53,077,830	39,952,901

21 Policy loans

The policy loans are made to policyholders and are secured by the policies' cash surrender value. Policy loans are repayable at the discretion of the policyholders as long as the interest plus the principal of the loans do not equal or exceed the cash value or until the policy matures. The policy loans bear interest at a rate of 8.5% per annum. The directors consider that the fair value of the loans approximately equals to the corresponding carrying value.

22 Loans to agents

The Group provides loans to agents which bear interest at the prevailing bank lending rates, and some are repayable by monthly instalments.

	Group and Company *At 30 June 2021 $'000*	*At 31 December 2019 $'000*
Loans to agents:		
Loans to agents	122,304	88,538
Loss allowance	(56,674)	(64,797)
Total loans to agents, net of loss allowance	65,630	23,741

The movements in loss allowance account in respect of loans to agents are as follows:

	Group and Company *For the eighteen months ended 30 June 2021* $'000	*For the year ended 31 December 2019* $'000
At 1 January	64,797	134,233
Impairment loss recognised (note 10)	23,717	58,159
Reversal of impairment loss (note 10)	(26,366)	(4,813)
Written-off	(5,474)	(122,782)
At 30 June / 31 December	56,674	64,797

22 Loans to agents (continued)

For those loans to agents net of loss allowance, an ageing analysis is as follows:

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Not yet past due	60,829	14,498
Within one month past due	3,703	2,256
More than one month past due	1,098	6,987
Total loans to agents, net of loss allowance	65,630	23,741

The Group measures loss allowances for loans to agents at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group assesses credit quality of individual loan to agent based on historical credit loss experience and the status of debt collection.

The carrying amount of loans to agents is expected to be recovered as below:

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Within one year	65,630	23,741
After one year	-	-
	65,630	23,741

The directors consider that the fair value of the loans to agents approximately equals the corresponding carrying value.

23 Other financial assets

	At 30 June 2021 $'000	*At 31 December 2019* $'000
Financial assets measured at FVOCI (recycling) (Note)		
Fixed rate bonds, at market value:		
Listed - government bonds	2,794,142	5,231,596
Listed - others	36,134,176	25,875,744
Unlisted - others	2,918,518	3,132,516
	41,846,836	34,239,856
Variable rate bonds, at market value:		
Unlisted - government bonds	26,675	26,062
Total financial assets at FVOCI (recycling)	41,873,511	34,265,918
Financial assets measured at FVOCI (non-recycling) (Note)		
Equities, at fair value:		
Listed	1,595,449	2,060,470
Unlisted	-	-
Total financial assets at FVOCI (non-recycling)	1,595,449	2,060,470
Financial assets measured at FVPL (Note)		
Listed	692,449	58,742
Unlisted	1,130,780	499,179
	1,823,229	557,921
Interests in investment funds, at fair value	7,213,661	2,569,161
Total financial assets at FVPL	9,036,890	3,127,082
Total other financial assets	52,505,850	39,453,470

The fair value of bonds and interests in investment funds are based on quoted market prices.

A maturity profile of the bonds as at the reporting date is as follows:

	At 30 June 2021 $'000	*At 31 December 2019* $'000
With a contractual maturity of:		
One year or less	387,081	1,571,005
Two years or less but over one year	530,698	774,807
Three years or less but over two years	181,585	384,590
Four years or less but over three years	395,468	642,001
Five years or less but over four years	535,246	111,073
Over five years	39,843,433	30,782,442
Total bonds	41,873,511	34,265,918

23 Other financial assets (continued)

Details for the movements in FVOCI reserve (recycling), FVOCI reserve (non-recycling) and available-for-sale investment revaluation reserve being recognised in other comprehensive income are as follows:

	Group and Company	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Realised gains included in profit or loss (note 7)	(1,664,673)	(34,480)
Impairment loss (including foreign exchange) included in profit or loss (note 28 (e))	59,877	-
Reversal of impairment on financial assets measured at FVOCI (recycling) (note 10)	-	(3,398)
Net movement in FVOCI reserve (recycling)	1,790,321	4,778,810
Overlay approach adjustments in profit or loss (Note 7)	933,891	253,350
Net movement in FVOCI reserve (non-recycling) during the year recognised in other comprehensive income	(301,511)	(614,531)
Net movement in financial assets during the year recognised in other comprehensive income	817,905	4,379,751

At 1 January 2020 and 30 June 2021, the carrying amounts of the Group's financial assets being accounted for under the overlay approach are shown as below.

	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Equities, at fair value		
- Listed	355,405	58,742
- Unlisted	1,130,780	499,179
Total equities	1,486,185	557,921
Interests in investment funds, at fair value		
- Listed	3,983,219	2,510,295
- Unlisted	2,749,155	26,909
Total interests in investment funds	6,732,374	2,537,204
Total financial assets measured at FVPL	8,218,559	3,095,125

24 Investments related to unit-linked contracts

	Group and Company	
	At 30 June 2021 $'000	*At 31 December 2019* $'000
Financial assets at fair value through profit or loss:		
- Interests in investment funds, at fair value	10,717,126	9,434,604
Cash and cash equivalents	53,068	60,626
Total investments related to unit-linked contracts	10,770,194	9,495,230

25 Premiums receivables

	Group and Company	
	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Premiums receivables	301,814	310,318
Provision for impairment	(13,449)	(14,124)
Total premiums receivables, net of impairment	288,365	296,194

The movement in provision for impairment of premiums receivables is as follows:

	Group and Company	
	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
At 1 January	14,124	17,446
Reversal of impairment loss (note 10)	(709)	(3,268)
Exchange realignment	34	(54)
At 30 June / 31 December	13,449	14,124

The above provision for impairment is assessed on a pooled basis based on the past experience related to policyholders in default of settlement.

For those premiums receivables that are not considered to be impaired, they are all less than 3 months past due and are expected to be settled within the next twelve months.

26 Prepayments, deposits and other debtors

	Group	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Prepayments (Note)	273,364	377,716
Accrued interest/dividend income on:		
- bonds	384,006	368,316
- cross currency swap agreements (note 29)	13,614	23,255
- equities and interests in investment funds	8,228	1,895
- others	44	69
Deposits	47,914	59,428
Reinsurance asset:		
- reinsurers' share of insurance contract liabilities (note 36)	1,649	56,106
- other receivables from reinsurers	155,398	203,429
Other debtors	747,950	91,199
	1,632,167	1,181,413

	Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Prepayments (Note)	273,364	377,716
Accrued interest/dividend income on:		
- bonds	384,006	368,316
- cross currency swap agreements (note 29)	13,614	23,255
- equities and interests in investment funds	8,228	1,895
- others	44	69
Deposits	47,914	59,428
Reinsurance asset:		
- reinsurers' share of insurance contract liabilities (note 36)	1,649	56,106
- other receivables from reinsurers	155,398	203,429
Other debtors	747,560	91,199
	1,631,777	1,181,413

Note: Included in prepayments are advances to agents and other intermediaries of $189,021,000 (2019: $284,196,000), which are not yet past due.

26 Prepayments, deposits and other debtors (continued)

The maturity profile of the carrying amount of the advances to agents and other intermediaries is stated as below:

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
To be amortised within one year	100,225	115,820
To be amortised after one year	88,796	168,376
	189,021	284,196

Except for the above, other carrying amount of prepayments, deposits and other debtors is to be settled within the next twelve months.

The directors consider that the fair value of the advances to agents and other intermediaries approximately equals the corresponding carrying value.

27 Cash and cash equivalents and pledged deposits

(a) Cash and cash equivalents comprise:

	Group	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Cash and bank balances	2,547,713	2,662,076
Time deposits	1,949,519	3,502,936
	4,497,232	6,165,012
Less: Pledged deposits:		
Time deposit pledged for a bank guarantee (Note (i))	-	(10,000)
Cash and cash equivalents	4,497,232	6,155,012

27 Cash and cash equivalents and pledged deposits (continued)

(a) Cash and cash equivalents comprise: (continued)

	Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Cash and bank balances	2,536,164	2,654,464
Time deposits	1,949,519	3,502,936
	4,485,683	6,157,400
Less: Pledged deposits:		
Time deposit pledged for a bank guarantee (Note (i))	-	(10,000)
Cash and cash equivalents	4,485,683	6,147,400

A maturity profile of the time deposits as at the balance sheet date is as follows:

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
With an original maturity of:		
Three months or less	1,949,519	3,492,936
One year or less but over three months	-	10,000
	1,949,519	3,502,936

Cash at bank earns interest at floating rates based on daily bank deposit rates. Other than pledged deposits, 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 the Company, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

Note:

(i) During 2019, a time deposit of $10,000,000 was pledged to a bank for the bank guarantee given in respect of a rental deposit for a tenancy agreement entered into by the Group.

27 Cash and cash equivalents and pledged deposits (continued)

(b) Reconciliation of liabilities arising from financing activities:

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

	Financial reinsurance arrangement $'000 (Note 35)	*Lease liabilities* $'000 (Note 34)	*Total* $'000
At 1 January 2020	368,839	531,751	900,590
Changes from financing cash flows:			
Repayment of financing under a financial reinsurance arrangement	(102,744)	-	(102,744)
Capital element of lease rentals paid	-	(162,736)	(162,736)
Interest element of lease rentals paid	-	(28,710)	(28,710)
Total changes from financing cash flows	(102,744)	(191,446)	(294,190)
Other changes:			
Interest expenses (note 11)	17,388	28,710	46,098
Increase in lease liabilities from new leased properties	-	131,036	131,036
Total other changes	17,388	159,746	177,134
At 30 June 2021	283,483	500,051	783,534

27 Cash and cash equivalents and pledged deposits (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Financial reinsurance arrangement $'000 (Note 35)	*Lease liabilities* $'000 (Note 34)	*Total* $'000
At 31 December 2018	430,673	-	430,673
Impact on initial application on HKFRS 16	-	440,173	440,173
At 1 January 2019	430,673	440,173	870,846
Changes from financing cash flows:			
Repayment of financing under a financial reinsurance arrangement	(81,656)	-	(81,656)
Capital element of lease rentals paid	-	(96,435)	(96,435)
Interest element of lease rentals paid	-	(17,268)	(17,268)
Total changes from financing cash flows	(81,656)	(113,703)	(195,359)
Other changes:			
Interest expenses (note 11)	19,822	17,716	37,538
Increase in lease liabilities from new leased properties	-	198,324	198,324
Decrease in lease liabilities from termination of leased properties	-	(10,759)	(10,759)
Total other changes	19,822	205,281	225,103
At 31 December 2019	368,839	531,751	900,590

During the years ended 31 December 2019 and 2020, there were no changes from financing cash flows arising from the notes issued by a subsidiary of the Company (see note 35(i)). Payments of interest expenses of the notes are classified as operating activities as shown in the consolidated cash flow statement.

27 Cash and cash equivalents and pledged deposits (continued)

(c) *Total cash outflow for leases*

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

	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019 $'000*
Within operating cash flows	187,751	125,249
Within investing cash flows	-	(203,883)
Within financing cash flows	(191,446)	(113,703)
	(3,695)	(192,337)

Note: The adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

28 Insurance and financial risk management objectives and policies

(a) *Regulatory framework*

The operations of the Group are subject to local regulatory requirements in Hong Kong. The Bermuda Monetary Authority continues to give the Group concession to submit these consolidated financial statements in satisfaction of the Bermuda Monetary Authority's filing requirements. The Group is required to maintain an appropriate solvency position to meet unforeseen liabilities arising from economic shocks and/or natural disasters.

(b) *Capital management framework*

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests on the capital position of the business.

The Company always maintains a solvency position higher than 150% of the solvency margin required by the Insurance Authority ("IA") to ensure an adequate surplus position. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business.

The Group manages its capital requirements by assessing probable shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities.

The Group fully complied with capital requirements imposed by the IA during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

28 Insurance and financial risk management objectives and policies (continued)

(c) *Asset liability management ("ALM") framework*

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group faces due to the nature of its investments and liabilities are interest rate risk and duration risk. The Group manages these positions within an ALM framework that has been developed to achieve long term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flows are available to meet liabilities arising from insurance and investment contracts.

(d) *Insurance risk*

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group retains a maximum of US$150,000 for each risk it insures, with the excess being reinsured through surplus treaties, coinsurance treaties, facultative reinsurance, catastrophe treaties and quota share arrangements with reputable international reinsurers. Consequently, total claims payable in any given year can be predicted with a higher degree of precision. As part of the Group's quality control process, the Group regularly invites reinsurers to audit its underwriting and claim practices and procedures, to ensure that the Group meet the highest industry standards.

The Group offers some products with explicit investment guarantees. One product is Invest- a-surance, an unbundled product with separate insurance and investment benefits and offers a minimum interest credit of 4% per annum. Invest-a-surance is a closed block.
Dynasty Diamond is Renminbi denominated with guaranteed return of 3.5% per annum at maturity. Due to Renminbi investment restriction, Dynasty Diamond are 99% coinsured so that the investment risk is transferred to the reinsurer. Super Saver is a single- pay five-year endowment plan denominated in US dollar, with guaranteed return of 3.5% per annum at maturity. Elite Choice is a universal life product launched in 2012 and offers a soft- guarantee every 5 year period. The current guaranteed return is 1.0%/0.5%/3.0%/2.0% per annum for USD/HKD/AUD/CNY respectively. Wealth Achiever/Gorgeous Universal Life Protection Plan are universal life plans launched in 2016 and 2019 respectively and offer lock-in crediting rates for the first 2 policy years up to 4.8%. Wealth Achiever offers point-to- point guarantees at 2% per annum for the first 10 policy years whilst Gorgeous Universal Life Protection Plan offers hard guarantees at 2% per annum. The investment funds as at 30 June 2021 for Invest-a-surance amounted to $61,829,612 (2019: $64,074,772). The investment fund for Elite Choice amounted to $13,026,470 (2019: $10,037,732). The investment fund for Wealth Achiever amounted to $650,720,700 (2019: $897,418,355). The investment fund for Gorgeous Universal Life Protection Plan amounted to $92,402,076 (2019: $51,218,552). The net reserve for Dynasty Diamond amounted to $Nil (2019: $541,986). The reserve for Super Saver amounted to $389,299,399 (2019: $379,780,414). The reserve held for the investment guarantee amounted to $3,657,227 (2019: $3,451,015) for Invest-a-surance. The reserve held for the Elite Choice guarantee return amounted to $97,731 (2019: $89,989).

28 Insurance and financial risk management objectives and policies (continued)

(d) Insurance risk (continued)

Group and Company

	At 30 June 2021			*At 31 December 2019*		
	Gross liabilities $'000	*Reinsurers' share of liabilities* $'000	*Net liabilities* $'000	*Gross liabilities* $'000	*Reinsurers' share of liabilities* $'000	*Net liabilities* $'000
Type of products						
Whole life	34,310,982	(1,213)	34,309,769	24,870,280	(55,617)	24,814,663
Term	94,988	(284)	94,704	84,641	(308)	84,333
Dread disease	1,904,332	(77)	1,904,255	1,544,229	(79)	1,544,150
Medical	241,310	-	241,310	228,358	-	228,358
Disability	10,684	(33)	10,651	12,074	(49)	12,025
Accident	23,954	(42)	23,912	21,492	(53)	21,439
At 31 December / 30 June	36,586,250	(1,649)	36,584,601	26,761,074	(56,106)	26,704,968
Coinsurance liabilities	224,343	-	224,343	219,369	-	219,369
Insurance contract liabilities (note 36)	36,810,593	(1,649)	36,808,944	26,980,443	(56,106)	26,924,337

(i) Key assumptions

Liabilities on insurance contracts offered by the Group are predominantly conventional whole life insurance for which premiums are paid for a limited period of time or the whole of life, with fixed benefits paid upon death and surrender benefits increasing with the duration of policy.

Some plans provide for guaranteed periodic payments. Most of the whole life insurance products are entitled to annual dividends and some with terminal dividend upon policy termination. For this block of policies and also for endowment and level term products, the assumptions used for the determination of future liabilities for most products are:

	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
Mortality rate	For products with full underwriting, 62% 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 62% 2001 Hong Kong Assured Life Mortality tables for males and females.	For products with full underwriting, 62% 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2. For products without full underwriting, 62% 2001 Hong Kong Assured Life Mortality tables for males and females.

28 Insurance and financial risk management objectives and policies (continued)

(d) Insurance risk (continued)

(i) Key assumptions (continued)

	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
Interest rate	2.00% for Regent Insurance Plan, Regent Prestige Insurance Plan, Regent Premier Insurance Plan, Joyful Life Insurance Plan, and Regent Insurance Plan 2, Regent Prime/Elite Insurance Plan, Regent Prime/Elite Insurance Plan II, and RewardPro Insurance Plan 3.25% for HealthCare 100 Critical Illness Protector, Regal Premier Saver, @MyLove Insurance Plan I, @MyLove Insurance Plan II, Health@Ease Critical Illness Protector, and MediSave Medical Account 2.50% for HealthCare 168 Critical Illness Protector HealthCare 168 Critical Illness Protector 2, HealthCare 168 Plus Critical Illness Protector 3.44% On Your Mind Insurance Plan, 3.20% for Glorious Protection Insurance Plan 3.55% for IncomePro Annuity Plan (Regular Premium) 4.10% for IncomePro Annuity Plan (Single Premium) 3.70% for Prosperous Deferred Annuity Plan 3.83% for Prosperous Deferred Annuity Plan 2 3.31 % for Fortune Saver 3.57 % for Fortune Saver II 3.75% for most other policies	2.25% for Regent Insurance Plan, Regent Prestige Insurance Plan, Regent Premier Insurance Plan, Joyful Life Insurance Plan, and Regent Insurance Plan 2 3.50% for HealthCare 100 Critical Illness Protector, Regal Premier Saver, @MyLove Insurance Plan I, @MyLove Insurance Plan II, Health@Ease Critical Illness Protector, and MediSave Medical Account 2.75% for HealthCare 168 Critical Illness Protector 3.20% for Glorious Protection Insurance Plan 3.55% for IncomePro Annuity Plan (Regular Premium) 4.10% for IncomePro Annuity Plan (Single Premium) 3.70% for Prosperous Deferred Annuity Plan 3.31 % for Fortune Saver 4.00% for most other policies
Lapse rate	Based on Group's experience	Based on Group's experience
Expense	Based on Group's experience	Based on Group's experience

28 Insurance and financial risk management objectives and policies (continued)

(d) Insurance risk (continued)

(i) Key assumptions (continued)

The method of calculating the liabilities is the net level premium reserve, with an adjustment to remove premium deficiency.

For unit-linked funds, the liabilities are the fund account values.

For insurance with pure risk coverage such as accident benefit, dread disease, medical insurance and disability insurance, the liabilities are the unearned gross premiums.

Most of the policyholders of the insurance contracts issued by the Group are residents of Hong Kong.

The Group's investment returns on the investment assets backing the insurance fund, including realised and unrealised gains and losses are:

For the year ended 31 December 2019	14.29%
For the eighteen months ended 30 June 2021	10.26%

The Group's actual claims compared to the mortality experience assumed in the calculation of the future insurance contract liabilities are:

For the year ended 31 December 2019	99%
For the eighteen months ended 30 June 2021	86%

(ii) Sensitivities

30 June 2021

	Assumption change	*(Decrease)/ increase in profit before tax* $'000	*(Decrease)/ increase in equity* $'000
Mortality	+10%	(226,922)	(226,922)
Discount rate	-50 basis points	(2,445,418)	(2,445,418)
Expense	+10%	(56,025)	(56,025)
Lapse rate	+20%	137,512	137,512

31 December 2019

	Assumption change	*(Decrease)/ increase in profit before tax* $'000	*(Decrease)/ increase in equity* $'000
Mortality	+10%	(214,605)	(214,605)
Discount rate	-50 basis points	(1,943,277)	(1,943,277)
Expense	+10%	(51,394)	(51,394)
Lapse rate	+20%	24,892	24,892

28 Insurance and financial risk management objectives and policies (continued)

(e) *Credit risk*

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Group limits its exposure by setting minimum limits of its portfolio mix in bonds and maximum limits of portfolio mix in equities and other investments. The Group also sets targets on currency, maturity and credit limit on its fixed income portfolios. The Group mainly deals with institutions with high creditworthiness.

The table below shows the maximum exposure to credit risk for the components of certain financial instruments and insurance assets of the consolidated balance sheet of the Group:

At 30 June 2021

	General and shareholders' fund $'000	*Unit-linked* $'000	*Total* $'000
Financial assets:			
Policy loans	506,350	-	506,350
Loans to agents	65,630	-	65,630
Other financial assets – bonds	41,873,511	-	41,873,511
Derivative financial instruments	1,452,920	-	1,452,920
Deposits and other debtors	1,323,525	35,278	1,358,803
Cash and cash equivalents (Note)	4,469,387	27,845	4,497,232
Cash and cash equivalents attributable to investments related to unit-linked contracts	-	53,068	53,068
At 30 June 2021	49,691,323	116,191	49,807,514

Note: Cash and cash equivalents of unit-linked business represent cash in transit from trades of unit-linked business.

28 Insurance and financial risk management objectives and policies (continued)

(e) Credit risk (continued)

At 31 December 2019

	General and shareholders' fund $'000	*Unit-linked* $'000	*Total* $'000
Pledged deposits	10,000	-	10,000
Financial assets:		-	
Policy loans	475,690	-	475,690
Loans to agents	23,741	-	23,741
Other financial assets – bonds	34,265,918	-	34,265,918
Derivative financial instruments	1,308,802	-	1,308,802
Prepayments, deposits and other debtors	1,118,947	62,466	1,181,413
Cash and cash equivalents (Note)	6,153,667	1,345	6,155,012
At 31 December 2019	43,356,765	63,811	43,420,576

Note: Cash and cash equivalents of unit-linked business represents cash-in-transit from trades of unit-linked business.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying certain financial instruments and insurance assets according to the Group's credit ratings of instrument.

At 30 June 2021

	Investment grade $'000	*Non- investment grade* $'000	*Unit-linked* $'000	*Total* $'000
Financial assets:				
Policy loans	-	506,350	-	506,350
Loans to agents	-	65,630	-	65,630
Other financial assets – bonds	40,714,899	1,158,612	-	41,873,511
Derivative financial instruments	651,151	801,769	-	1,452,920
Deposits and other debtors	360,096	963,429	35,278	1,358,803
Cash and cash equivalents	4,469,387	-	27,845	4,497,232
Cash and cash equivalents attributable to investments related to unit-linked contracts	-	-	53,068	53,068
At 31 June 2021	46,195,533	3,495,790	116,191	49,807,514

28 Insurance and financial risk management objectives and policies (continued)

(e) Credit risk (continued)

Credit exposure by credit rating (continued)

At 31 December 2019

	Investment grade $'000	Non- investment grade $'000	Unit-linked $'000	Total $'000
Pledged deposits	10,000	-	-	10,000
Financial assets:				
Policy loans	-	475,690		475,690
Loans to agents	-	23,741		23,741
Other financial assets – bonds	34,043,940	221,978		34,265,918
Derivative financial instruments	1,009,948	298,854		1,308,802
Prepayments, deposits and other debtors	389,711	729,236	62,466	1,181,413
Cash and cash equivalents	6,153,667	-	1,345	6,155,012
At 31 December 2019	41,607,266	1,749,499	63,811	43,420,576

Aaa and AAA are the highest credit ratings in the Moody's and Standard and Poor's credit rating systems, respectively. The Group classifies its bonds which are below Baa3 and BBB- in the Moody's and Standard and Poor's credit rating systems respectively as non- investment grade bonds.

As at 30 June 2021, the amount of the non-investment grade bonds held by the Group was approximately 2% of its invested assets (2019: 1%).

28 Insurance and financial risk management objectives and policies (continued)

(e) *Credit risk (continued)*

The following table set out the credit quality analysis of financial assets measured at FVOCI (recycling) and at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts. For explanations of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired', see note 2.4(o).

At 30 June 2021

	Investment grade			*Non-investment grade*			*Unit–linked*			
	12-month ECL $'000	*Lifetime ECL not credit - impairment* $'000	*Lifetime ECL credit - impaired* $'000	*12-month ECL* $'000	*Lifetime ECL not credit - impairment* $'000	*Lifetime ECL credit - impaired* $'000	*12-month ECL* $'000	*Lifetime ECL not credit - impairment* $'000	*Lifetime ECL credit - impaired* $'000	*Total* $'000
Financial assets at amortised cost										
Financial asset:										
- Policy Loan	-	-	-	506,350	-	-	-	-	-	506,350
- Loans to agents	-	-	-	-	51,108	71,196	-	-	-	122,304
Deposits and other debtors	360,096	-	-	963,429	-	-	35,278	-	-	1,358,803
Cash and cash equivalents	4,469,387	-	-	-	-	-	27,845	-	-	4,497,232
Investment related to unit-linked contracts	-	-	-	-	-	-	53,068	-	-	53,068
Gross carrying amount	4,829,483	-	-	1,469,779	51,108	71,196	116,191	-	-	6,537,757
Less: Loss allowance	-	-	-	-	(1,970)	(54,704)	-	-	-	(56,674)
Amortised cost	4,829,483	-	-	1,469,779	49,138	16,492	116,191	-	-	6,481,083
Financial assets at FVOCI (recycling)										
Financial assets at FVOCI (recycling)										
Other financial assets – bonds										
Gross carrying amount	35,892,857	-	-	968,614	232,076	-	-	-	-	37,093,547
Less: Loss allowance	(35,773)	-	-	(6,525)	(26,300)	-	-	-	-	(68,598)
Amortised cost	35,857,084	-	-	962,089	205,776	-	-	-	-	37,024,949
Carrying amount – fair value	40,714,899	-	-	943,213	215,399	-	-	-	-	41,873,511

For credit risk in respect of premiums receivables, the ageing analysis is included in note 25 to the consolidated financial statements.

28 Insurance and financial risk management objectives and policies (continued)

(e) *Credit risk (continued)*

At 31 December 2019

	Investment grade			*Non-investment grade*			*Unit–linked*			
	12-month ECL $'000	*Lifetime ECL not credit - impairment* $'000	*Lifetime ECL credit - impaired* $'000	*12-month ECL* $'000	*Lifetime ECL not credit - impairment* $'000	*Lifetime ECL credit - impaired* $'000	*12-month ECL* $'000	*Lifetime ECL not credit - impairment* $'000	*Lifetime ECL credit - impaired* $'000	*Total* $'000
Financial assets at amortised cost										
Pledge Deposit	10,000	-	-	-	-	-	-	-	-	10,000
Financial asset:										
-Policy Loan	-	-	-	475,690	-	-	-	-	-	475,690
-Loans to agents	-	-	-	-	31,124	57,414	-	-	-	88,538
Prepayment, deposits and other debtors	389,711	-	-	729,236	-	-	62,466	-	-	1,181,413
Cash and cash equivalents	6,153,667	-	-	-	-	-	1,345	-	-	6,155,012
Gross carrying amount	6,553,378	-	-	1,204,926	31,124	57,414	63,811	-	-	7,910,653
Less: Loss allowance	-	-	-	-	(9.221)	(55,576)	-	-	-	(64,797)
Amortised cost	6,553,378	-	-	1,204,926	21,903	1,838	63,811	-	-	7,845,856
Financial assets at FVOCI (recycling)										
Financial assets at FVOCI (recycling)										
Other financial assets – bonds										
Gross carrying amount	29,384,666	-	-	233,635	-	-	-	-	-	29,618,301
Less: Loss allowance	(14,271)	-	-	(916)	-	-	-	-	-	(15,187)
Amortised cost	29,370,395	-	-	232,719	-	-	-	-	-	29,603,114
Carrying amount – fair value	34,043,940	-	-	221,978	-	-	-	-	-	34,265,918

For credit risk in respect of premiums receivables, the ageing analysis is included in note 25 to the consolidated financial statements.

28 Insurance and financial risk management objectives and policies (continued)

(e) Credit risk (continued)

Reconciliation from opening to closing balance of loss allowance by class of instruments

The following table shows the movement of expected credit losses that have been recognised for the respective financial assets:

	2021		
	Lifetime ECL not credit-impaired $'000	*Lifetime ECL credit-impaired* $'000	*Total* $'000
Loan to agents			
Balance as at 1 January 2020 under HKFRS 9	9,221	55,576	64,797
Increase in loss allowance recognised in current year	(490)	24,207	23,717
Release of loss allowance for loans derecognised upon settlement	(6,761)	(19,605)	(26,366)
Written off in current year	-	(5,474)	(5,474)
Balance as at 30 June 2021	1,970	54,704	56,674

	2021		
	12-month ECL $'000	*Lifetime ECL* $'000	*Total* $'000
Other financial assets - bonds			
Balance as at 1 January 2020 under HKFRS 9	15,187	-	15,187
Decrease in loss allowance recognised in current year	33,533	26,269	59,802
Release of loss allowance for bonds derecognised upon settlement	(6,466)	-	(6,466)
Foreign Exchange	44	31	75
Balance as at 30 June 2021	42,298	26,300	68,598

For credit risk in respect of bonds, the maturity profile is included in note 23 in the consolidated financial statements.

28 Insurance and financial risk management objectives and policies (continued)

(e) *Credit risk (continued)*

Reconciliation from opening to closing balance of loss allowance by class of instruments

The following table shows the movement of expected credit losses that have been recognised for the respective financial assets:

Loans to agents	2019 Lifetime ECL not credit-impaired $'000	 Lifetime ECL credit-impaired $'000	 Total $'000
Balance as at 31 December 2018 under HKAS 39	-	-	-
Adjustment on initial application of HKFRS 9	269	133,964	134,233
Balance as at 1 January 2019 under HKFRS 9	269	133,964	134,233
Increase in loss allowance recognised in current year	11,439	46,720	58,159
Release of loss allowance for loans derecognised upon settlement	(2,487)	(2,326)	(4,813)
Written off in current year	-	(122,782)	(122,782)
Balance as at 31 December 2019	9,221	55,576	64,797

	2019 12-month ECL $'000	 Total *$'000*
Other financial assets - bonds		
Balance as at 31 December 2018 under HKAS 39	-	-
Adjustment on initial application of HKFRS 9	24,846	24,846
Balance as at 1 January 2019 under HKFRS 9	24,846	24,846
Decrease in loss allowance recognised in current year	(3,398)	(3,398)
Release of loss allowance for bonds derecognised upon settlement	(6,261)	(6,261)
Foreign Exchange	-	-
Balance as at 31 December 2019	15,187	15,187

For credit risk in respect of bonds, the maturity profile is included in note 23 in the consolidated financial statements.

28 Insurance and financial risk management objectives and policies (continued)

(f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing to repay contractual obligations; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risks the Group confronts are the daily calls on its available cash resources in respect of claims arising from insurance and investment contracts and the maturity of debt securities.

The Group manages liquidity through its liquidity risk policy which includes determining what constitutes liquidity risk for the Group and the minimum proportion of funds to meet emergency calls; the setting up of contingency funding plans; specifying the sources of funding and the events that would trigger the plan; specifying the concentration of funding sources; the reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring the compliance with liquidity risk policy and the reviewing of the Group's liquidity risk policy for pertinence and changing environment.

28 Insurance and financial risk management objectives and policies (continued)

(f) Liquidity risk (continued)

(i) The table below analyses certain financial liabilities and unit-linked liabilities of the Group at the balance sheet date into their relevant maturity groups based on their contractual undiscounted cash flows.

At 30 June 2021

	Contractual undiscounted cashflows								
	1 year or less $'000	*2 years or less but >1 year* $'000	*3 years or less but >2 years* $'000	*4 years or less but >3 years* $'000	*5 years or less but >4 years* $'000	*> 5 years* $'000	*Unit-linked* $'000	*Total* $'000	*Carrying amount* $'000
Liabilities related to unit-linked contracts	-	-	-	-	-	-	10,943,354	10,943,354	10,943,354
Derivative financial instruments	582	332	311	272	(195)	-	-	1,302	796
Interest-bearing liabilities	809,092	2,100,780	73,064	57,578	-	-	-	3,040,514	2,859,775
Payables to policyholders	1,668,464	-	-	-	-	-	42,327	1,710,791	1,710,791
Accrued expenses and other creditors	1,488,272	114,677	106,789	118,852	53,593	81,005	33,125	1,996,313	1,950,071
	3,966,410	2,215,789	180,164	176,702	53,398	81,005	11,018,806	17,692,274	17,464,787

At 31 December 2019

	Contractual undiscounted cashflows								
	1 year or less $'000	*2 years or less but >1 year* $'000	*3 years or less but >2 years* $'000	*4 years or less but >3 years* $'000	*5 years or less but >4 years* $'000	*> 5 years* $'000	*Unit-linked* $'000	*Total* $'000	*Carrying amount* $'000
Liabilities related to unit-linked contracts	-	-	-	-	-	-	9,644,869	9,644,869	9,644,869
Derivative financial instruments	5,669	5,537	3,075	1,855	465	2,369	-	18,970	18,177
Interest-bearing liabilities	1,177,608	164,375	157,579	2,059,248	66,070	24,982	-	3,649,862	3,311,288
Payables to policyholders	1,443,588	-	-	-	-	-	44,354	1,487,942	1,487,942
Accrued expenses and other creditors	759,265	84,331	94,788	79,108	79,108	180,347	291,288	1,568,235	1,502,044
	3,386,130	254,243	255,442	2,140,211	145,643	207,698	9,980,511	16,369,878	15,964,320

28 Insurance and financial risk management objectives and policies (continued)

(f) Liquidity risk (continued)

(ii) The table below presents the estimated amounts (on a discounted basis) and timing of cash flows arising from liabilities under insurance and investment contracts. The Group has to meet daily calls on its cash resources, notably from claims arising on its insurance and investment contracts and early surrender of policies for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. The Group manages this risk by monitoring and setting an appropriate level of cash position to settle these liabilities.

At 30 June 2021	*1 year or less* $'000	*2 years or less but >1 year* $'000	*3 years or less but >2 years* $'000	*4 years or less but >3 years* $'000	*5 years or less but >4 years* $'000	*> 5 years* $'000	*Total* $'000
Insurance contract liabilities	3,994,055	(1,291,289)	(692,518)	(135,575)	344,539	38,252,413	40,471,625
Investment contract liabilities	-	-	-	-	-	5,148	5,148
	3,994,055	(1,291,289)	(692,518)	(135,575)	344,539	38,257,561	40,476,773

At 31 December 2019	*1 year or less* $'000	*2 years or less but >1 year* $'000	*3 years or less but >2 years* $'000	*4 years or less but >3 years* $'000	*5 years or less but >4 years* $'000	*> 5 years* $'000	*Total* $'000
Insurance contract liabilities	3,566,132	(775,600)	(765,832)	(282,295)	169,590	28,306,965	30,218,960
Investment contract liabilities	-	-	-	-	-	5,166	5,166
	3,566,132	(775,600)	(765,832)	(282,295)	169,590	28,312,131	30,224,126

28 Insurance and financial risk management objectives and policies (continued)

(g) Market risk

Market risk is the risk of changes in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such changes in price are caused by factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. These risks are discussed in the following sections:

(i) Currency risk

It is the Group's policy to match its assets and liabilities by currency to minimise its exposure to currency risk. The Group sells policies mostly denominated in Hong Kong dollars and United States dollars and its assets are appropriately invested to meet these liabilities. The Hong Kong dollar is pegged to the United States dollar. Management believes that this peg will continue in the near future. Nevertheless, management will monitor the situation closely and take appropriate actions when necessary. As at the balance sheet date, the Group had 0.13% of its investments and cash and cash equivalents denominated in foreign currencies, other than the United States dollar (2019: 0.3%). The Group believes that the currency risk in equities is reflected in their share price and therefore its exposure to the foreign currencies has not been hedged.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest risk policy requires it to manage the interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

Change in variables	*(Decrease)/ increase in net assets* $'000	*(Decrease)/ increase in other comprehensive income* $'000	*(Decrease)/ increase in equity* $'000
30 June 2021			
+50 basis points	(3,130,950)	(3,130,950)	(3,130,950)
-50 basis points	3,130,950	3,130,950	3,130,950

Change in variables	*(Decrease)/ increase in net assets* $'000	*(Decrease)/ increase in other comprehensive income* $'000	*(Decrease)/ increase in equity* $'000
31 December 2019			
+50 basis points	(2,384,716)	(2,384,716)	(2,384,716)
-50 basis points	2,384,716	2,384,716	2,384,716

28 Insurance and financial risk management objectives and policies (continued)

(g) Market risk (continued)

(iii) Price risk

The Group's price risk exposure relates to financial assets and liabilities which values will fluctuate as a result of changes in market prices of individual instruments and of any underlying investment portfolio, principally in relation to investment securities not held for the account of unit-linked business.

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

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

	Change in variables	*Increase/ (decrease) in profit before tax* $'000	*Increase/ (decrease) in equity* $'000
30 June 2021			
Market indices (Note (a))	+10%	767,176	926,721
Market indices (Note (a))	-10%	(767,176)	(926,721)

	Change in variables	*Increase/ (decrease) in profit before tax* $'000	*Increase/ (decrease) in equity* $'000
31 December 2019			
Market indices (Note (a))	+10%	312,329	518,376
Market indices (Note (a))	-10%	(312,329)	(518,376)

Note (a): The above table does not incorporated the overlay adjustment. The impact of overlay adjustment on profit or loss would be increased/(decreased) approximately of HK$728,263,000 by changing in 10% (2019: $309,513,000).

28 Insurance and financial risk management objectives and policies (continued)

(h) Designation of equities at FVOCI (non-recycling)

As at 30 June 2021, the Group designated the following list of equities at FVOCI (non-recycling):

	At 30 June 2021 $'000	At 31 December 2019 $'000
1) a listed Hong Kong based investment holding company principally engaged in investment in listed and unlisted enterprises	220,400	435,000
2) a listed Chinese bank headquartered in Zhejiang, the PRC	1,187,911	1,377,964
3) a listed Chinese provincial city commercial bank headquartered in Nanchang, Jiangxi Province	187,138	247,506
	1,595,449	2,060,470

The designated list of equities indicated the strategic relationship ("strategic assets") of the Group. To fulfil the definition as strategic assets, two of the following conditions must be met:

- the Group and/or its affiliated companies has existing or the intention to enter into strategic cooperation with these companies;

- the primary investment objective is for earning dividend income; and/or

- the Group has an intention to hold such investments for not less than 6 months.

As at 30 June 2021, the fair value of the strategic assets amounted to $1,595,449 (2019: $2,060,470,000). Dividend income from the strategic assets amounted to $86,124,000 (2019: $24,672,000) during the year, of which $9,673,000 (2019: $6,503,000) was earned from investments derecognised during the year and the remaining $76,451,000 (2019: $18,169,000) was earned from the investments held as at the reporting date.

Disposal loss of strategic assets amounted to $29,035,000 (2019: Disposal gain $69,520,000) during the year. Strategic assets 1 to 3 listed above were partially disposed for stop-loss and rebalancing/de-risk purposes.

The fair value at derecognition date was $163,511,000 (2019: $356,017,000).

29 Derivative financial instruments

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Assets:		
Cross currency swap agreements, at fair value	16,296	112
Forward starting swap agreements, at fair value	634,855	1,009,836
	651,151	1,009,948
Put option, at fair value	801,769	298,854
	1,452,920	1,308,802
Liabilities:		
Cross currency swap agreements, at fair value	(796)	(18,177)
	(796)	(18,177)

Cross currency swap agreements - cash flow hedges for bond investments

From November 2009 onwards, the Group entered into certain cross currency swap agreements designated as cash flow hedges against its foreign currency risk in respect of cash flows from certain bond investments of US$151 million (2019: US$244 million) with maturities ranging from 2019 to 2025. These cross currency swap agreements are entered with several counterparties over the counter. The Group seeks to hedge the foreign currency risk by the exchange of payments denominated in targeted currency, and applies a hedge ratio of 1:1. The existence of an economic relationship between the cross currency swap agreements and the highly probable forecast transactions is determined based on their currency amounts and the timing of their respective cash flows. The terms of the cross currency swap agreements have been negotiated to match the terms of the underlying bond investments. The cash flow hedges were assessed to be highly effective and the hedging reserve amounted to $16,197,000 (2019: $11,959,000).

Forward starting swap agreements - cash flow hedges for bonds to be purchased in the future

From 2013 onwards, the Group entered into certain forward starting swap agreements designated as cash flow hedges against its interest rate risk in respect of bonds to be purchased in the future. Under the agreements, the Group will be entitled to receive fixed rate of around 4% to 5% per annum, and required to pay floating rate of 3-month LIBOR, in USD published by the British Banker's Association. As at 30 June 2021, the total notional amount was US$295 million (2019: US$495 million). The cash flow hedge was assessed to be highly effective and the hedging reserve amounted to $634,855,000 (2019: $1,009,836,000).

The agreements were used to hedge the interest rate risk by the exchange of payments benchmarked against the targeted fixed interest rate. The Group applies an approximate hedge ratio of 1:1 and determines the existence of an economic relationship between the forward starting swap agreements and the debt security investments by matching their critical terms, including the reference interest rates and interest payments.

29 Derivative financial instruments (continued)

Forward starting swap agreements - cash flow hedges for bonds to be purchased in the future (continued)

As at 30 June 2021, the Company received $640,836,000 cash and bank balance from counterparties as collateral which are repayable on demand (2019: $1,004,863,000). Interest is calculated on overnight federal fund rate and payable to counterparties.

Details for the hedging reserve being recognised in other comprehensive income are as follows:

	Group and Company	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
Net movement in hedging reserve during the eighteen months ended 30 June 2021 recognised in other comprehensive income	156,089	243,285

The derivative financial instruments are subject to an enforceable master netting arrangement and the gross amount is reported in the balance sheet.

The following tables sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Gross amount presented in the balance sheet		
Assets		
Derivative financial instruments	651,152	1,009,948
Accrued interest receivable included in prepayments, deposits and other debtors	13,614	23,255
	664,766	1,033,203
Liabilities		
Derivative financial instruments	796	18,177
Accrued interest payable included in accrued expenses and other creditors	13,437	24,194
	14,233	42,371

29 Derivative financial instruments (continued)

	Group and Company At 30 June 2021 $'000	Group and Company At 31 December 2019 $'000
Net amounts		
Assets		
Derivative financial instruments	650,356	992,399
Deposits and other debtors	242	4
	650,598	992,403
Liabilities		
Derivative financial instruments	-	628
Accrued interest payable included in accrued expenses and other creditors	(65)	943
	(65)	1,571

Put option – hedges for market risks associated with certain equity

As at 30 June 2021, the Company holds a put option to dispose of an equity investment held by the company, which was designated as financial assets at FVOCI, at a specified price within a specified transaction period. As at 30 June 2021, the fair value of the underlying equity investment amounted to HK$802 million (31 Dec 2019: HK$299 million).

30 Payables to policyholders

	Group and Company At 30 June 2021 $'000	Group and Company At 31 December 2019 $'000
Claims payable (note 31)	274,213	241,287
Premium deposits (note 32)	1,262,578	1,107,450
Other payables	174,000	139,205
	1,710,791	1,487,942

The carrying amounts disclosed above reasonably approximated to their fair values at the balance sheet date.

31 Claims payable

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Life and annuity	258,369	234,072
Linked long term	15,844	7,215
	274,213	241,287

The movements in the provision for claims reported by policyholders and claims incurred but not reported are analysed as follows:

	Group and Company	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
At 1 January	241,287	209,759
Provided during the year	1,502,913	1,000,992
Utilised during the year	(1,469,643)	(968,835)
Exchange realignment	(344)	(629)
At 30 June / 31 December	274,213	241,287

Claims incurred but not reported amounted to $38,566,000 as at 30 June 2021 (2019: $35,560,000), which are included in claims payable.

The claims payable is expected to be settled within the next twelve months.

32 Premium deposits

Premium deposits are amounts that are left in deposits with the Group for the payment of future premiums and are expected to be utilised within the next twelve months.

	Group and Company	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
At 1 January	1,107,450	1,021,592
Received during the year	16,901,156	9,937,937
Utilised during the year	(16,742,680)	(9,846,813)
Exchange realignment	(3,348)	(5,266)
At 30 June / 31 December	1,262,578	1,107,450

33 Accrued expenses and other creditors

	Group	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Commission payable	269,429	311,193
Reinsurance payable (Note)	49,107	1,454
Lease liabilities (note 34)	500,051	531,751
Other payables and accruals	1,131,484	657,646
	1,950,071	1,502,044

	Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Commission payable	269,429	311,193
Reinsurance payable (Note)	49,107	1,454
Lease liabilities (note 34)	500,051	531,751
Other payables and accruals	1,116,454	642,750
	1,935,041	1,487,148

The maturity profile of the accrued expenses and other creditors is stated as below:

	Group	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Payable within one year	1,503,563	1,033,219
Payable after one year	446,508	468,825
	1,950,071	1,502,044

	Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Payable within one year	1,488,533	1,018,323
Payable after one year	446,508	468,825
	1,935,041	1,487,148

The carrying amounts disclosed above approximate to their fair values. Accrued expenses and other creditors are non-interest bearing.

33 Accrued expenses and other creditors (continued)

Note: Reinsurance premium and commission are offset and the net amount is reported in the balance sheet when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	At 30 June 2021 $'000	*At 31 December 2019* $'000
Gross amount presented in the balance sheet		
Assets		
Prepayments, deposits and other debtors - Reinsurance receivable	67,322	83,395
Liabilities		
Accrued expenses and other creditors - Reinsurance payable	116,429	84,849
Net amounts presented in the balance sheet		
Liabilities		
Accrued expenses and other creditors - Reinsurance payable	49,107	1,454

34 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at balance sheet date:

	At 30 June 2021		At 31 December 2019	
	Present value of the lease payments	Total lease payments	Present value of the lease payments	Total lease payments
	$'000	$'000	$'000	$'000
Within 1 year	102,298	117,809	96,004	113,339
After 1 year but within 2 years	98,041	110,105	69,829	84,331
After 2 year but within 3 years	97,332	106,183	81,115	92,977
After 3 year but within 4 years	94,955	100,544	69,851	79,108
After 4 year but within 5 years	50,479	53,593	72,439	79,108
After 5 years	56,946	58,057	142,513	149,079
	500,051	546,291	531,751	597,942
Less: total future interest expenses	-	(46,240)	-	(66,191)
Present value of lease liabilities	500,051	500,051	531,751	531,751
Effective interest rate %	3.43%		3.64%	

35 Interest-bearing liabilities

	Group At 30 June 2021	At 31 December 2019
	$'000	$'000
4.125% notes due 2023 (Note (i))	1,935,456	1,937,586
Financing received under a financial reinsurance arrangement (Note (ii))	283,483	368,839
Cash collateral received for cross currency swap agreements and forward starting swap agreements (note 29)	640,836	1,004,863
	2,859,775	3,311,288

35 Interest-bearing liabilities (continued)

	Company	
	At 30 June 2021	At 31 December 2019
	$'000	$'000
Financing received under a financial reinsurance arrangement (Note (ii))	283,483	368,839
Cash collateral received for cross currency swap agreements and forward starting swap agreements (note 29)	640,836	1,004,863
	924,319	1,373,702

Notes:

(i) On 25 April 2013, FTL Capital Limited issued an aggregate principal amount of US$250 million (approximately $1,940 million) of guaranteed bonds with a coupon rate of 4.125% (the "Bonds II") due 25 April 2023 to independent third party investors, whereby FTL Capital Limited raised approximately $1,915,364,000 (US$246,790,000), net of expenses.

Interest on the Bonds II is repayable on 25 April and 25 October of each year, beginning on 25 October 2013. The Bonds II are fully and unconditionally guaranteed by the Company. The Company's guarantee is an unsecured and unsubordinated obligation which ranks equally with all of the Company's other existing and future unsecured and unsubordinated obligations. As required by the insurance laws of Hong Kong and Bermuda, the Company's guarantee is effectively junior to the liabilities of its long term business, to the extent of the assets maintained by the Company in respect of its long term business. The Bonds II are listed on the Main Board of the Singapore Exchange Securities Trading Limited and under the provisions of Regulation S of the United States Securities Act.

The Bonds II will fully mature on 25 April 2023 and thus are not repayable within the next twelve months. The effective interest rate of the Bonds II is 4.29% per annum. The amortised cost of the Bonds II was $1,935,456,000 as at 30 June 2021 (2019: $1,937,586,000).

35 Interest-bearing liabilities (continued)

Notes: (continued)

(i) At 30 June 2021, the fair value of the Bonds II was $2,019,991,675 (2019: $1,990,597,000).

For the purpose of HKFRS 13, the fair value of Bonds II is determined based on the recent price offered by third parties in the market. As Bonds II is not actively traded in the market during 2021, the fair value of Bonds II is categorised as Level 2 as at 30 June 2021 (2019: Level 2).

The Group's policy is to recognise transfers between levels of fair value hierarchy at each reporting date.

(ii) The Company had a financial reinsurance arrangement with a reinsurer. Under the financial reinsurance arrangement with effect from 2012, the Company had received an up-front fee of US$45 million at a finance cost of 90-day LIBOR plus 5.4%. During 2016, the Company had obtained another up-front fee of US$58 million from the reinsurer. Together with the previous US$45 million, the finance cost is revised to 90- day HIBOR plus 2.975%. The directors consider that the fair value of the financing approximately equals to the corresponding carrying value.

The maturity profile of the financing received is stated as below:

	Group and Company	
	At 30 June 2021 $'000	*At 31 December 2019* $'000
Repayable within one year	86,717	88,312
Repayable after one year	196,766	280,527
	283,483	368,839

36 Insurance contract liabilities

Insurance contract liabilities are composed of liabilities for guaranteed benefits, liabilities for coinsurance payments and a provision for policyholders' dividends earned. Liabilities for guaranteed benefits take into account future guaranteed benefit payments and premium receipts.

Liabilities for coinsurance payments are set aside to fund future payments on coinsurance arrangements. The provision for dividends represents half of the expected annual policyholders' dividends payable in 2021 as this is considered to have been earned in 2020. The dividend policy is at the discretion of the Company's board. During 2021, the Group paid out total annual dividends of $268.8 million (2019: $177.3 million).

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Liabilities for guaranteed benefits	36,516,883	26,687,419
Liabilities for coinsurance payments	224,343	219,369
Provision for annual dividends	69,367	73,655
Insurance contract liabilities (note 28(d))	36,810,593	26,980,443
Policyholders' dividends and bonuses (note 37)	3,661,032	3,238,517
Total insurance contract liabilities	40,471,625	30,218,960

Insurance contract liabilities, net of the unexpired reinsurance risk, are as below

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Insurance contract liabilities (note 28(d))	36,810,593	26,980,443
Reinsurers' share of insurance contract liabilities (note 28(d))	(1,649)	(56,106)
Insurance contract liabilities, net of reinsurers' share (note 28(d))	36,808,944	26,924,337

The maturity profile of insurance contract liabilities is stated as below:

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Payable within one year	3,994,055	3,566,132
Payable after one year	36,477,570	26,652,828
	40,471,625	30,218,960

36 Insurance contract liabilities (continued)

Movements in insurance contract liabilities are as follows:

Group and Company

	For the eighteen months ended 30 June 2021				*For the year ended 31 December 2019*			
	Insurance contract liabilities $'000	*Coinsurance liabilities* $'000	*Reinsurers' share of liabilities* $'000	*Net liabilities* $'000	*Insurance contract liabilities* $'000	*Coinsurance liabilities* $'000	*Reinsurers' share of liabilities* $'000	*Net liabilities* $'000
At 1 January	26,761,074	219,369	(56,106)	26,924,337	22,491,661	212,426	(114,375)	22,589,712
Premiums received	10,789,076	(53,078)	(446,627)	10,289,371	5,825,582	(48,571)	(201,748)	5,575,263
Liabilities incurred for death, surrender and maturity	(3,158,911)	39,698	338,836	(2,780,377)	(2,103,378)	29,233	223,592	(1,850,553)
Benefit and claim experience variations	(137,958)	(11,052)	163,151	14,141	(155,300)	4,777	37,372	(113,151)
Investment income variations	(655,752)	11,573	-	(644,179)	(557,979)	8,527	-	(549,452)
Investment income	2,162,102	-	(738)	2,161,364	1,357,442	-	(3,668)	1,353,774
Financing cost for coinsurance	-	17,833	-	17,833	-	12,977	-	12,977
Adjustment due to change in reserve assumptions	895,924	-	-	895,924	(16,345)	-	615	(15,730)
Exchange realignment	(69,305)	-	(165)	(69,470)	(80,609)	-	2,106	(78,503)
As at 30 June 2021/ 31 December 2019	36,586,250	224,343	(1,649)	36,808,944	26,761,074	219,369	(56,106)	26,924,337

37 Policyholders' dividends and bonuses

	Group and Company	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
At 1 January	3,238,517	2,969,901
Provided during the year	833,021	541,821
Utilised during the year	(403,932)	(263,030)
Exchange realignment	(6,574)	(10,175)
At 30 June / 31 December	3,661,032	3,238,517

38 Investment contract liabilities

	Group and Company	
	For the eighteen months ended 30 June 2021	*For the year ended 31 December 2019*
	$'000	$'000
At 1 January	5,166	5,493
Withdrawals	(334)	(529)
Interest, bonus credited and fair value movement	316	202
At 30 June / 31 December	5,148	5,166

The above amounts are repayable after the next twelve months.

39 Liabilities related to unit-linked contracts

	Group and Company	
	At 30 June 2021	*At 31 December 2019*
	$'000	$'000
Insurance contract liabilities	806,588	686,673
Investment contract liabilities	10,136,766	8,958,196
Liabilities related to unit-linked contracts	10,943,354	9,644,869

40 Share capital

	At 30 June 2021	*At 31 December 2019*
	US$'000	US$'000
Authorised share capital	700,000	700,000
	HK$'000	HK$'000
Issued and fully paid:		
506,100,141 (2019: 506,100,141) ordinary shares of US$1 each	3,938,134	3,938,134
9,000,000 (2019: 9,000,000) Class A redeemable preference shares of US$1 each (Note (i))	69,955	69,955
10,000,000 (2019: 10,000,000) Class C redeemable preference shares of US$1 each (Note (ii))	77,611	77,611
	4,085,700	4,085,700

Notes:

(i) The Class A redeemable preference shares contain the following terms:

(a) The Class A redeemable preference shares shall, subject to the provisions of the Companies Act 1981 of Bermuda (as amended), be redeemed at the option of the Company only.

(b) Redemption of any of the Class A redeemable preference shares shall be effected by delivery of a notice in writing from the Company, giving at least fourteen days' notice of redemption, which shall be delivered to the holder of such Class A redeemable preference shares at his address in the register of members.

(c) Upon redemption, the holder of the Class A redeemable preference shares shall be entitled to the par value thereof and to such premium, as the Board may in its absolute discretion think fit, subject to the provisions of the Companies Act.

(d) Upon redemption, the holders of the Class A redeemable preference shares shall be entitled to receive the par value thereof and to such premium in priority to the holders of any other issued shares in the capital of the Company including Class B redeemable preference shares.

(e) Subject only to the provisions in the schedule attached to the Company's bye-laws, the Class A redeemable preference shares shall rank pari passu with and have all the rights attaching to the ordinary shares of the Company.

40 Share capital (continued)

Notes: (continued)

(ii) The Class C redeemable preference shares contain the following terms:

(a) The Class C redeemable preference shares are subscribed at US$25.00 per share ("Notional Amount").

(b) Dividend Rights: Each holder of the Class C redeemable preference shares shall be entitled to a dividend at a fixed rate of 7.715% of the Notional Amount payable at the full discretion of the Board on a non-cumulative basis and subject to applicable laws. The declaration of dividend shall be subject to the approval of the Board every year.

(c) Dividends shall be paid prior and in preference to any and all other shares in the capital of the Company.

(d) Redemption Rights: Subject to the requirements of the Companies Act 1981 of Bermuda, the Class C redeemable preference shares shall be redeemable at the option of the Company at a redemption price equal to the Notional Amount on completion of a ten-year period from the initial issuance date of the Class C redeemable preference shares. The Company shall effect redemption upon providing fourteen days' notice in writing to each relevant holder at the address set out in the register of members of the Company. Any redemption shall be subject to the prior written consent of the Hong Kong Insurance Authority or any equivalent regulatory authority.

(e) Conversion Rights: Upon the Company and the holder's mutual agreement, the Class C redeemable preference shares may be converted into ordinary shares of the Company ("Ordinary Shares") at the Conversion Ratio. The initial Conversion Ratio shall be 1:1 subject to standard adjustments for sub-divisions and consolidations of the Ordinary Shares where there is no like subdivision or consolidation of the Class C redeemable preference shares such that the number of Ordinary Shares issuable on conversion of each Class C redeemable preference share will be increased or decreased in proportion to such increase or decrease of the aggregate Ordinary Shares outstanding.

(f) Voting: The holder(s) of the Class C redeemable preference shares shall be entitled to the notice of and to attend and, on a poll, to one vote for each Class C redeemable preference share held at all general meetings of the Company.

(g) Liquidation: On any liquidation of the Company or on any return of capital, the holder of the Class C redeemable preference shares shall rank pari passu with the holders of the Ordinary Shares to the surplus assets of the Company.

(h) Other rights: Subject to the above terms, the holder(s) of the Class C redeemable preference shares shall otherwise rank pari passu with the holder(s) of the Ordinary Shares.

40 Share capital (continued)

Notes: (continued)

(iii) On 21 September 2019, the Company executed an undertaking under which it will obtain prior written consent from the Insurance Authority before any dividend is declared or paid to the shareholder(s) of the Company.

41 Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 13 of the consolidated financial statements.

41 Reserves (continued)

(b) Company

	Issued share capital $'000	Share premium account $'000	Contributed surplus $'000	Share option reserve $'000	Hedging reserve $'000	Shadow accounting adjustment $'000	FVOCI reserve (recycling) $'000	FVOCI reserve non-recycling) $'000	Retained profits $'000	Total $'000
Balance as at 1 January 2019	4,085,700	1,862,664	1,011,121	20,615	754,592	47,616	(75,822)	(243,182)	5,314,545	12,777,849
Changes in equity for 2019:										
Capital contribution (note 30)	-	-	283,014	-	-	-	-	-	-	283,014
Profit for the year	-	-	-	-	-	-	-	-	1,046,220	1,046,220
Other comprehensive income for the year	-	-	-	-	243,285	(324,112)	4,994,282	(614,531)	-	4,298,924
Transfer upon disposal of equities at FVOCI (non-recycling)	-	-	-	-	-	-	-	(9,994)	9,994	-
Total comprehensive income for the year	-	-	-	-	243,285	(324,112)	4,994,282	(624,525)	1,056,214	5,345,144
Balance as at 31 December 2019	4,085,700	1,862,664	1,294,135	20,615	997,877	(276,496)	4,918,460	(867,707)	6,370,759	18,406,007
Balance as at 1 January 2020	4,085,700	1,862,664	1,294,135	20,615	997,877	(276,496)	4,918,460	(867,707)	6,370,759	18,406,007
Changes in equity for 2020:										
Profit for the year	-	-	-	-	-	-	-	-	1,992,134	1,992,134
Other comprehensive income for the eighteen months	-	-	-	-	156,089	(899,323)	1,119,416	(301,511)	-	74,671
Transfer upon disposal of equities at FVOCI (non-recycling)	-	-	-	-	-	-	-	29,035	(29,035)	-
Total comprehensive income for the eighteen months	-	-	-	-	156,089	(899,323)	1,119,416	(272,476)	1,963,099	2,066,805
Balance as at 30 June 2021	4,085,700	1,862,664	1,294,135	20,615	1,153,966	(1,175,819)	6,037,876	(1,140,183)	8,333,858	20,472,812

Pursuant to the transfer of ownership of the Group to NWS Holdings Limited, BVI agreed to buy back certain equity investments held by the Group at a specified price within a specified transaction period. This results in a capital contribution in form of a derivative financial instrument as at 31 October 2019. See note 29 for details.

42 Financial instruments

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

At 30 June 2021

	Group			
	Financial assets at fair value through profit or loss $'000	*Financial assets at fair value through other comprehensive income* $'000	*Financial assets at amortised costs* $'000	*Total* $'000
Financial assets				
Pledged deposits	-	-	-	-
Policy loans	-	-	506,350	506,350
Loans to agents	-	-	65,630	65,630
Other financial assets	9,036,890	43,468,960	-	52,505,850
Investments related to unit-linked contracts	10,717,126	-	53,068	10,770,194
Derivative financial instruments	1,452,920	-	-	1,452,920
Deposits and other debtors	-	-	1,358,803	1,358,803
Cash and cash equivalents	-		4,497,232	4,497,232
At 30 June 2021	21,206,936	43,468,960	6,481,083	71,156,979

	Group		
	Financial liabilities at fair value through profit or loss $'000	*Financial liabilities at amortised cost* $'000	*Total* $'000
Financial liabilities			
Investment contract liabilities	5,148	-	5,148
Liabilities related to unit-linked contracts	10,943,354	-	10,943,354
Derivative financial instruments	796	-	796
Interest-bearing liabilities	-	2,859,775	2,859,775
Accrued expenses and other creditors	-	1,950,071	1,950,071
At 30 June 2021	10,949,298	4,809,846	15,759,144

42 Financial instruments (continued)

(a) *Financial instruments by category (continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

At 30 June 2021

	Company			
	Financial assets at fair value through profit or loss $'000	*Financial assets at fair value through other comprehensive income* $'000	*Financial assets at amortised costs* $'000	*Total* $'000
Financial assets				
Pledged deposits	-	-	-	-
Policy loans	-	-	506,350	506,350
Loans to agents	-	-	65,630	65,630
Other financial assets	9,036,890	43,468,960	-	52,505,850
Investments related to unit-linked contracts	10,717,126	-	53,068	10,770,194
Derivative financial instruments	1,452,920	-	-	1,452,920
Deposits and other debtors	-	-	1,358,413	1,358,413
Cash and cash equivalents	-	-	4,485,683	4,485,683
At 30 June 2021	21,206,936	43,468,960	6,469,144	71,145,040

	Company		
	Financial liabilities at fair value through profit or loss $'000	*Financial liabilities at amortised cost* $'000	*Total* $'000
Financial liabilities			
Investment contract liabilities	5,148	-	5,148
Liabilities related to unit-linked contracts	10,943,354	-	10,943,354
Derivative financial instruments	796	-	796
Amount due to a subsidiary	-	1,931,933	1,931,933
Interest-bearing liabilities	-	924,319	924,319
Accrued expenses and other creditors	-	1,935,041	1,935,041
At 30 June 2021	10,949,298	4,791,293	15,740,591

42 Financial instruments (continued)

(a) Financial instruments by category (continued)

At 31 December 2019

	Group			
	Financial assets at fair value through profit or loss $'000	*Financial Assets at fair value through other comprehensive income* $'000	*Financial assets at amortised costs* $'000	*Total* $'000
Financial assets				
Pledged deposits	-	-	10,000	10,000
Policy loans	-	-	475,690	475,690
Loans to agents	-	-	23,741	23,741
Other financial assets	3,127,082	36,326,388	-	39,453,470
Investments related to unit-linked contracts	9,434,604	-	60,626	9,495,230
Derivative financial instruments	1,308,802	-	-	1,308,802
Prepayments, deposits and other debtors	-	-	1,181,413	1,181,413
Cash and cash equivalents	-	-	6,155,012	6,155,012
At 31 December 2019	13,870,488	36,326,388	7,906,482	58,103,358

	Group		
	Financial liabilities at fair value through profit or loss $'000	*Financial liabilities at amortised cost* $'000	*Total* $'000
Financial liabilities			
Investment contract liabilities	5,166	-	5,166
Liabilities related to unit-linked contracts	9,644,869	-	9,644,869
Derivative financial instruments	18,177	-	18,177
Interest-bearing liabilities	-	3,311,288	3,311,288
Accrued expenses and other creditors	-	1,502,044	1,502,044
At 31 December 2019	9,668,212	4,813,332	14,481,544

42 Financial instruments (continued)

(a) Financial instruments by category (continued)

At 31 December 2019

	Company			
	Financial assets at fair value through profit or loss $'000	Financial assets at fair value through other comprehensive income $'000	Financial assets at amortised costs $'000	Total $'000
Financial assets				
Pledged deposits	-	-	10,000	10,000
Policy loans	-	-	475,690	475,690
Loans to agents	-	-	23,741	23,741
Other financial assets	3,127,082	36,326,388	-	39,453,470
Investments related to unit-linked contracts	9,434,604	-	60,626	9,495,230
Derivative financial instruments	1,308,802	-	-	1,308,802
Prepayments, deposits and other debtors	-	-	1,181,413	1,181,413
Cash and cash equivalents	-	-	6,147,400	6,147,400
At 31 December 2019	13,870,488	36,326,388	7,898,870	58,095,746

	Company		
	Financial liabilities at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Financial liabilities			
Investment contract liabilities	5,166	-	5,166
Liabilities related to unit-linked contracts	9,644,869	-	9,644,869
Derivative financial instruments	18,177	-	18,177
Amount due to a subsidiary	-	1,938,423	1,938,423
Interest-bearing liabilities	-	1,373,702	1,373,702
Accrued expenses and other creditors	-	1,487,148	1,487,148
At 31 December 2019	9,668,212	4,799,273	14,467,485

42 Financial instruments (continued)

(b) Financial instruments measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The financial instruments measured at fair value on a recurring basis are further analysed as below:

	Group and Company			
	Total $'000	*Level 1* $'000	*Level 2* $'000	*Level 3* $'000
At 30 June 2021				
Assets				
Other financial assets:				
- Bonds	41,873,511	28,979,208	12,894,303	-
- Equities	3,418,678	2,287,898	-	1,130,780
- Interests in investment funds	7,213,661	7,213,661	-	-
Investments related to unit-linked contracts	10,717,126	10,717,126	-	-
Derivative financial instruments:				-
- Cross currency swap agreements	16,296	-	16,296	-
- Forward starting swap agreements	634,855	-	634,855	-
- Put option	801,769	-	-	801,769
At 30 June 2021	64,675,896	49,197,893	13,545,454	1,932,549
Liabilities				
Investment contract liabilities	5,148	-	5,148	-
Liabilities related to unit-linked contracts	10,943,354	-	10,943,354	-
Derivative financial instruments:				
- Cross currency swap agreements	796	-	796	-
- Forward exchange agreements	-	-	-	-
At 30 June 2021	10,949,298	-	10,949,298	-

42 Financial instruments (continued)

(b) Financial instruments measured at fair value (continued)

	Group and Company			
	Total $'000	*Level 1* $'000	*Level 2* $'000	*Level 3* $'000
At 31 December 2019				
Assets				
Other financial assets:				
- Bonds	34,265,918	24,787,457	9,478,461	-
- Equities	2,618,391	2,119,212	-	499,179
- Interests in investment funds	2,569,161	2,569,161	-	-
Investments related to unit-linked contracts	9,434,604	9,434,604	-	-
Derivative financial instruments:				-
- Cross currency swap agreements	112	-	112	-
- Forward starting swap agreements	1,009,836	-	1,009,836	-
- Put option	298,854	-	-	298,854
At 31 December 2019	50,196,876	38,910,434	10,488,409	798,033
Liabilities				-
Investment contract liabilities	5,166	-	5,166	-
Liabilities related to unit-linked contracts	9,644,869	-	9,644,869	
Derivative financial instruments:				
- Cross currency swap agreements	18,177	-	18,177	-
- Forward exchange agreements	-	-	-	-
At 31 December 2019	9,668,212	-	9,668,212	-

As at 30 June 2021, bonds with a market value approximately of $914,744,000 (2019: $Nil) and approximately of $37,740,000 (2019: $917,849,000) included in FVOCI (recycling) financial assets (2019: FVOCI (recycling) financial assets), were reclassified from Level 1 to Level 2 and from Level 2 to Level 1 respectively. There were no transfers into or out of Level 3 (2019: $Nil). For other financial instruments measured at fair value on a recurring basis, there are no transfers between Level 1 and Level 2, or transfers in or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy at each reporting date.

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

The fair value of forward starting swap agreements and forward exchange agreements is determined by discounting the contractual future cash flows. The discount rate used is derived from the relevant swap curve as at the balance sheet date.

The fair value of cross currency swap agreements is determined by discounting the contractual future cash flows. The exchange rate and discount rate used are derived from the relevant foreign exchange forward rates and swap curve as at the balance sheet date, with potential adjustment made for various collateralisation agreement.

42 Financial instruments (continued)

(b) Financial instruments measured at fair value (continued)

The fair value of bonds in Level 2 is determined by the latest transaction price quoted by the custodian. As there was no active market for such bonds as at the balance sheet date, they are classified as Level 2. There is no change in valuation approach for the Level 2 financial instruments.

Information about Level 3 fair value measurements

(i) Investments in partnerships in private equity funds

Fair value of investments in partnerships in private equity funds (the "Partnerships") is estimated by reference to the quoted market prices of underlying investments held or based upon valuation techniques developed by the managers of the Partnerships that use, where possible, current market based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. The fair value measurement of underlying investments is positively correlated to the fund valuation. Transaction price is used as the best estimate of fair value at inception.

The following table shows the sensitivity of the fair value of Level 3 financial instruments to reasonably possible alternative assumptions used in the fair value measurement derived from valuation techniques or market prices of underlying investments:

				30 June 2021	
	Valuation technique	*Significant unobservable inputs*	*Change in variables*	*Increase/ (decrease) in profit or loss* $'000	*Increase/ (decrease) in equity* $'000
Financial assets (FVPL):					
- Unlisted equities	Adjusted net asset value	Discount for lack of marketability/ restricted redemptions	+10%	113,078	113,078
			-10%	(113,078)	(113,078)
- Put option	Monte Carlo simulation model	Drift rate	+20%	(10,321)	(10,321)
			-20%	10,321	10,321
		Discount for lack of marketability	+5%	(17,242)	(17,242)
			-5%	17,242	17,242

				31 December 2019	
	Valuation technique	*Significant unobservable inputs*	*Change in variables*	*Increase/ (decrease) in profit or loss* $'000	*Increase/ (decrease) in equity* $'000
Available-for-sale financial assets:					
- Unlisted equities	Adjusted net asset value	Discount for lack of marketability/ restricted redemptions	+10%	49,918	-
			-10%	(49,918)	-

42 Financial instruments (continued)

(b) Financial instruments measured at fair value (continued)

Information about Level 3 fair value measurements (continued)

(i) Investments in partnerships in private equity funds (continued)

	Valuation technique	*Significant unobservable inputs*	*Change in variables*	*31 December 2019* Increase/ (decrease) in profit or loss $'000	*31 December 2019* Increase/ (decrease) in equity $'000
Available-for-sale financial assets: (continued)					
- Put option	Monte Carlo simulation model	Drift rate	+8%	(37,250)	(37,250)
			-8%	37,250	37,250
		Discount for lack of marketability	+10%	(33,961)	(33,961)
			-10%	33,961	33,961

(ii) Put option

Fair value of the put option is estimated by an independent valuation consultant. Valuation techniques used involve the use of current market based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Fair value measurement of the underlying investments is negatively correlated with the put option valuation. Transaction price is used as the best estimate of fair value at inception unless no net investment is required at inception.

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

	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Other financial assets – Unlisted equities (FVPL)		
At 1 January	499,179	422,596
Purchases	693,551	
Sales	(153,111)	71,056
Total unrealised gains recognised in other comprehensive income during the year (Note)	91,161	5,527
At 30 June / 31 December	1,130,780	499,179
Total gains or losses for the year included in the profit or loss for assets held at the reporting date	84,302	15,398

42 Financial instruments (continued)

(b) *Financial instruments measured at fair value (continued)*

Information about Level 3 fair value measurements (continued)

(ii) Put option (continued)

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

	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Other financial assets – Unlisted equities (FVOCI)		
At 1 January	-	194,116
Purchases	-	12,955
Sales	-	(227,994)
Total realised gains recognised in other comprehensive income during the year	-	41,222
Total unrealised gains recognised in other comprehensive income during the year	-	(20,299)
At 30 June / 31 December	-	-
Total gains or losses for the year included in the profit or loss for assets held at the reporting date	-	2,383

Note: An unlisted equity is eligible for designation for the overlay approach as at 1 January 2020. Any changes in the fair value of this financial asset are reclassified from profit or loss to other comprehensive income.

	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Derivative financial instrument – Put option		
At 1 January	298,854	-
Capital injection (note 29)	-	283,014
Total unrealised gains recognised in the profit or loss during the year	-	15,840
Total unrealized gains recognized in OCI during the year	502,915	-
At 30 June / 31 December	801,769	298,854

43 Contingent liabilities

As at 30 June 2021, the Group and the Company had no material contingent liabilities and contingencies arising from the ordinary course of the Group's long term insurance business (2019: $Nil).

44 Lease arrangements

(a) As lessor

As at 30 June 2021, the Group and the Company did not enter into any lease arrangement as a lessor (2019: $Nil).

(b) As lessee

The Group has initially applied HKFRS 16 using modified retrospective approach at 1 January 2019. Under this approach, the Group adjusted the opening balances as at 1 January 2019 to recognise lease liabilities relating to these leases. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.4(t), and the details regarding the Group's future lease payments are disclosed in note 34.

45 Commitments

In addition to the operating lease commitments detailed in note 44(b) above, the Group and the Company had the following capital commitments as at the balance sheet date:

	Group and Company	
	At 30 June 2021 $'000	*At 31 December 2019* $'000
Authorised but not contracted for		
- an ongoing projects	900	-
Contracted, but not provided for, in respect of		
- several ongoing projects	620,450	12,601
- property, plant and machinery	-	138,491
- capital contribution of investment funds	413,446	209,065
	1,033,896	360,157

46 Material related party transactions

(a) Details of the material transactions and outstanding balances with companies related to the Group and the Company were as follows:

	Note	Group	
		For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
NWD Group:			
Interest income from bonds acquired before the change of ownership	(i)	-	1,292
Interest income from bonds acquired after the change of ownership	(ii)	110,056	201
Dividend income from Shoucheng Holdings	(iv)	34,470	-
Group life insurance premium income	(v)	5,332	-
Bonds acquired – NWD MTN Ltd.	(ii)	2,500,000	1,502,250
Equity acquired-Shoucheng Holdings	(iv)	450,000	-
Other expenses	(iii)	15,838	3,017
CTF Group:			
Other expenses	(vi)	1,292	-
JD Group			
Interest income from JD Group	(vii)	-	59,975
Jiuzhou:			
Interest income from bonds issued by Jiuzhou	(viii)	-	125,997
Kunwu Jiuding Capital Holdings Co., Ltd. ("JD Capital"):			
Realised gain from sale of investment funds managed by JD Capital	(ix)	-	44,320
JD International Advisors Limited ("JD International"):			
Dividend from investment fund with JD International as adviser to general partner	(ix)	-	2,383
Realised loss from sale of investment funds managed by JD International	(ix)	-	3,099
Kind Luck Wealth Management Limited ("Kind Luck"):			
Commission expense paid to Kind Luck	(x)	-	3,299

46 Material related party transactions (continued)

(a) Details of the material transactions and outstanding balances with companies related to the Group and the Company were as follows: (continued)

	Note	*Company* For the eighteen months ended 30 June 2021 $'000	*Company* For the year ended 31 December 2019 $'000
NWD Group:			
Interest income from bonds acquired before the change of ownership	(i)	-	1,292
Interest income from bonds acquired after the change of ownership	(ii)	110,056	201
Dividend income from Shoucheng Holdings	(iv)	34,470	-
Group life insurance premium income	(v)	5,332	-
Bonds acquired – NWD MTN Ltd.	(ii)	2,500,000	1,502,250
Equity acquired – Shoucheng Holdings	(iv)	450,000	-
Other expenses	(iii)	15,838	3,017
CTF Group:			
Other Expenses	(vi)	1,292	-
JD Group:			
Interest income from JD Group	(vii)	-	59,975
Jiuzhou:			
Interest income from bonds issued by Jiuzhou	(viii)	-	125,997
JD Capital:			
Realised gain from sale of investment funds managed by JD Capital	(ix)	-	44,320
JD International:			
Dividend from investment fund with JD International as adviser to general partner	(ix)	-	2,383
Realised loss from sale of investment funds managed by JD International	(ix)	-	3,099
Kind Luck:			
Commission expense paid to Kind Luck	(x)	-	3,299
FTL Capital Limited:			
Loan due to FTL Capital Limited	(xi)	1,956,126	1,962,678
Interest expense to FTL Capital Limited	(xi)	124,212	83,713

46 Material related party transactions (continued)

(a) Details of the material transactions and outstanding balances with companies related to the Group and the Company were as follows: (continued)

Notes:

(i) The Company held two bonds issued by its fellow subsidiaries under NWD Group. These bonds were subscribed for before the change of ownership and remained in the Company's investment portfolio subsequent to the change. The Company has disposed of its holdings in both bonds before year end. The interest income derived from the 2 bonds during the period from the date of change till disposal was HK$1,292,000. The coupon rates of the two bonds are 4.79% and 4.89% respectively.

(ii) The Company subscribed for 2 bonds issued by a wholly-owned subsidiary of NWD for HK$1,500,000,000 and HK$1,000,000,000. Interest income of HK$73,481,000 was derived from the bond during the period.

During 2019, the Company subscribed for a bond issued by a wholly-owned subsidiary of NWD for HK$1,502,250,000. As at 30 June 2021, its fair value amounted to HK$1,501,725,000. Interest income of HK$201,000 was derived from the bond during the year.

(iii) The Company mainly purchased goods from and obtained convention and exhibition facilities provided by the fellow subsidiaries within NWD Group.

(iv) The Company subscribed for equity's issued by Shoucheng Holdings for HK$450,000,000. Shoucheng Holdings is an associated company of NWS Holdings. Dividend income of HK$34,470,000 was derived from the equity during the period.

(v) The Company sold group life insurance products to the companies of NWD Group.

(vi) The Company mainly purchased goods from the fellow subsidiaries within Chow Tai Fook (CTF) Group.

(vii) In 2013, the Company signed a loan agreement (the "Loan Agreement II") with AII. Pursuant to the Loan Agreement II, the Company provided a loan of US$250,000,000 to AII on 26 April 2013, with fixed interest charged at 4.215% per annum. The principal will be repaid in full on 25 April 2023 and interest is to be settled on every 25 April and 25 October of each year.

On 12 May 2016, a novation deed was signed among AII, JD Group and the Company. The financing arrangements continued with JD Group replacing AII as the borrower of the loan. Other terms of the financing arrangements remained unchanged.

The loan with accrued interest were settled upon the disposal of the Group by BVI in November 2019.

(viii) On 18 August 2016, the allotment of 193,218,034 additional new ordinary shares of par value US$1 each at an aggregate subscription price of HK$1.5 billion was paid via the transfer of the US$96.5 million 10% bonds due in 2031 and the HK$750 million 10% bond due in 2031 as issued by Jiuzhou from the sole member to the Company. Jiuzhou is a fellow subsidiary to the Group.

The bonds with accrued interest were sold upon the disposal of the Group by BVI in November 2019.

46 Material related party transactions (continued)

(a) Details of the material transactions and outstanding balances with companies related to the Group and the Company were as follows: (continued)

(ix) During 2017, the Company purchased two investment funds, which are managed by two Cayman Islands Exempted Limited Partnerships, which are 100% controlled by JD Capital, a company publicly listed on National Equities Exchange and Quotations in the People's Republic of China. JD Capital was a former fellow subsidiary to the Group.

On 25 September 2018, the ownership of the general partner to one of the investment funds changed from JD Capital to a third party. Though, JD International remained as an adviser to the general partner of the investment fund.

(x) Kind Luck acted as a broker to the Company for selling insurance products to policyholders. Kind Luck is a fellow subsidiary to the Group.

In March 2018, the Company signed a sub-leasing agreement with Kind Luck at arm's length basis. Pursuant to the agreement, Kind Luck paid a security deposit at the commencement date and monthly rentals during contractual period. The agreement was then terminated on November 2018. A security deposit was returned to Kind Luck upon termination of the sub-leasing agreement.

In June 2019, Kind Luck was sold to third party.

(xi) On 26 April 2013, a loan of US$250,000,000 was obtained from FTL Capital Limited, a subsidiary to the Company. The loan is unsecured, interest-bearing at 4.125% per annum and repayable on 25 April 2023.

Interest is payable semi-annually in arrears on 25 April and 25 October in each year. As at 30 June 2021, the interest accrued amounted to HK$15,226,000 (2019: HK$15,503,000).

(b) The Group and Company have provided loans to agents which bear interest at the prevailing bank lending rates, and some are repayable on a monthly instalment basis. Details of these loans are included in note 22 to the consolidated financial statements. The Group and Company have also provided advances to agents which are interest-free, details of these advances are included in note 27 to the consolidated financial statements.

(c) Compensation of key management personnel of the Group:

	For the eighteen months ended 30 June 2021 $'000	*For the year ended 31 December 2019* $'000
Short term employee benefits	74,796	43,497
Post-employment benefits	3,787	2,033
Total compensation paid to key management personnel	78,583	45,530

Further details of directors' emoluments are included in note 13 to the consolidated financial statements.

47 Interests in structured entities

There are interests in investment funds included in financial assets and investments related to unit-linked contracts (see notes 23 and 24), in which they have been designed so that voting or similar rights are not the dominant factor in deciding who controls these schemes. These investment funds provide the policyholders, the Group and the Company with a variety of investment opportunities through managed investment strategies.

Owing to the passive nature of these investments, the maximum exposure to loss from these interests is limited to the associated equity price risk (see note 28(g)(iii)). There is no outstanding capital commitment to invest in the structured entities. The maximum exposure to loss, which represents the maximum loss that the Group and the Company could be required to report as a result of its involvement with these investment funds regardless of the probability of the loss being incurred, is equivalent to the carrying amount of these investments (see notes 23 and 24).

There are also some investments in the Partnerships. The Group and the Company hold the interests as limited partners and do not control nor consolidate the Partnerships. Subject to the terms of respective Partnerships, there shall be further capital call for investments. As at 30 June 2021, the outstanding capital commitment to invest in these Partnerships amounted to US$53,254,000 (2019: US$26,842,000), which are for two new partnerships confirmed as at that date. The maximum exposure to loss is the carrying amount of these investments (see note 42(b)).