

FTLIFE INSURANCE COMPANY LIMITED
(incorporated in Bermuda with limited liability)

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

FTLIFE INSURANCE COMPANY LIMITED

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FTLIFE INSURANCE COMPANY LIMITED

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 year ended 30 June 2022.

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, other related business and investment holding. The activities of the subsidiaries are set out in note 19 to the financial statements.

Results and dividends

The Group's profit for the year ended 30 June 2022 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 8 to 124.

No interim dividend was paid during the year in respect of all ordinary shares to the sole shareholder. The directors do not recommend the payment of any final dividend 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 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 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 consolidated statement of changes in equity, respectively.

Charitable contributions

During the year, the Group made charitable contributions of HK\$301,000 (For the eighteen months ended 30 June 2021: HK\$500,000).

Directors

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

IP Man Kit	(appointed on 1 September 2022)
CHENG Kwok Sing, Joe	(appointed on 1 August 2021)
FANG Lin	(resigned on 1 January 2022)
CHENG Chi Kong, Adrian	
Cyril Hamilton WHITTER	
MA Siu Cheung	
CHAN Yiu Fai	(appointed on 8 June 2022)

Independent Non-Executive Directors:

Stuart Hamilton LECKIE
CHAN Ka Lok
NG Chi Shing, Bartholomew

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.

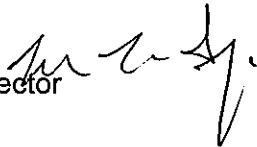
Directors' material interests in transactions, arrangements or contracts

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, 21 September 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER 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"), which are set out on pages 8 to 124, comprise:

- the consolidated statement of financial position as at 30 June 2022;
- the Company's standalone statement of financial position as at 30 June 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER 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.

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

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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

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

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

- 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
Certified Public Accountants

Hong Kong, 21 September 2022

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

		For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
	Note		
Income			
Gross premiums		12,042,883	13,353,275
Less: Reinsurance premiums		(391,720)	(565,804)
Premiums, net of reinsurance	4	11,651,163	12,787,471
Interest income	5	1,826,117	2,360,512
Dividend and other investment income	6	292,171	269,029
Realised and unrealised (losses)/gains	7	(1,129,055)	2,909,790
Overlay approach adjustments	7	1,977,457	(933,891)
Fee and commission income	8	724,213	1,050,523
(Losses)/gains related to investments for unit-linked contracts		(2,201,584)	1,872,640
Other income		21,953	10,749
Total income		13,162,435	20,326,823
Expenses			
Policy reserves, claims and benefits		(11,505,406)	(12,775,404)
Less: Reinsurance and coinsurance share of claims and benefits		297,993	320,419
Policy reserves, claims and benefits, net of reinsurance and coinsurance	9	(11,207,413)	(12,454,985)
Charges related to unit-linked contracts		2,198,752	(1,875,568)
Distribution commission and allowances		(1,794,809)	(2,747,975)
Change in deferred acquisition costs	20	121,949	482,419
Impairment losses	10	(179,383)	(56,444)
Operating and administrative expenses	12	(1,017,231)	(1,388,188)
Finance costs	11	(107,624)	(175,870)
Total expenses		(11,985,759)	(18,216,611)
		1,176,676	2,110,212

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Profit before tax	12	1,176,676	2,110,212
Tax	14	(83,656)	(118,245)
Profit for the year/period attributable to equity holders	15	1,093,020	1,991,967
Other comprehensive (loss)/income for the year/period (after taxation and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
- Cash flow hedges: net movement in the hedging reserve	30	(589,516)	(346,826)
- Amount reported in other comprehensive income applying overlay approach	21	(1,977,457)	933,891
- Shadow accounting adjustment		3,608,693	(916,774)
- Debt instruments at fair value through other comprehensive income: net movement in the FVOCI reserve (recycling)	21	(10,530,871)	185,525
		(9,489,151)	(144,184)
Items that will not be reclassified subsequently to profit or loss:			
- Fair value hedges: net movement in the hedging reserve	30	(502,915)	502,915
- Equity instruments at fair value through other comprehensive income: net movement in the FVOCI reserve (non-recycling)	21	346,409	(301,511)
- Shadow accounting adjustment		2,671	17,451
		(153,835)	218,855
Other comprehensive (loss)/income for the year/period		(9,642,986)	74,671
Total comprehensive (loss)/income for the year/period attributable to equity holders		(8,549,966)	2,066,638

The notes on pages 20 to 124 form part of these financial statements.

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

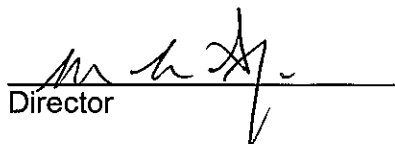
	Note	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Assets			
Property, plant and equipment	16	447,334	597,011
Investment properties	17	688,879	-
Intangible assets	18	157,035	151,839
Deferred acquisition costs	20	6,131,460	6,009,511
Financial assets at FVPL	21	8,162,553	9,036,890
Financial assets at FVOCI	21	40,551,014	43,852,966
Policy loans and loans to agents	22	643,073	571,980
Investments related to unit-linked contracts	25	8,649,161	10,770,194
Derivative financial instruments	30	64,475	1,452,920
Premiums receivable	26	230,053	288,365
Prepayments, deposits and other debtors	27	675,515	1,248,161
Cash and cash equivalents	28	5,591,137	4,497,232
Total assets		71,991,689	78,477,069
Liabilities			
Insurance contract liabilities related to non-unit-linked contracts	37	42,014,271	36,810,593
Insurance contract liabilities related to unit-linked contracts		673,116	806,588
Investment contract liabilities related to non-unit-linked contracts	39	5,255	5,148
Investment contract liabilities related to unit-linked contracts		8,155,056	10,136,766
Policyholders' dividend and bonuses	38	3,982,172	3,661,032
Derivative financial instruments	30	13,705	796
Interest-bearing liabilities	36	2,241,014	2,859,775
Payables to policyholders	31	1,776,542	1,710,791
Accrued expenses and other creditors	34	1,097,984	1,950,071
Tax payable		116,992	69,961
Total liabilities		60,076,107	58,011,521

FTLIFE INSURANCE COMPANY LIMITED

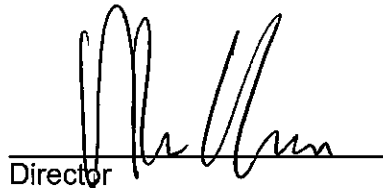
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2022**

	Note	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Equity			
Issued capital	40	4,085,700	4,085,700
Reserves	41	7,829,882	16,379,848
Total equity attributable to equity holders		<u>11,915,582</u>	<u>20,465,548</u>
Total liabilities and equity		<u>71,991,689</u>	<u>78,477,069</u>

Approved and authorised for issue by the board of directors on 21 September 2022.


Director

Signed on behalf of the Board.


Director

FTLIFE INSURANCE COMPANY LIMITED

**STANDALONE STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

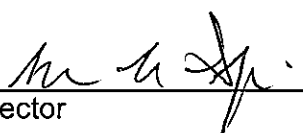
	Note	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Assets			
Property, plant and equipment	16	447,334	597,011
Investment properties	17	688,879	-
Intangible assets	18	157,035	151,839
Deferred acquisition costs	20	6,131,460	6,009,511
Interests in subsidiaries	19	650	650
Financial assets at FVPL	21	8,162,553	9,036,890
Financial assets at FVOCI	21	40,551,014	43,852,966
Policy loans and loans to agents	22	643,073	571,980
Investments related to unit-linked contracts	25	8,649,161	10,770,194
Derivative financial instruments	30	64,475	1,452,920
Premiums receivable	26	230,053	288,365
Prepayments, deposits and other debtors	27	675,515	1,247,771
Cash and cash equivalents	28	5,576,531	4,485,683
Total assets		71,977,733	78,465,780
Liabilities			
Insurance contract liabilities related to non-unit-linked contracts	37	42,014,271	36,810,593
Insurance contract liabilities related to unit-linked contracts		673,116	806,588
Investment contract liabilities related to non-unit-linked contracts	39	5,255	5,148
Investment contract liabilities related to unit-linked contracts		8,155,056	10,136,766
Policyholders' dividends and bonuses	38	3,982,172	3,661,032
Derivative financial instruments	30	13,705	796
Amount due to a subsidiary	19	1,952,564	1,931,933
Interest-bearing liabilities	36	282,019	924,319
Payables to policyholders	31	1,776,542	1,710,791
Accrued expenses and other creditors	34	1,082,985	1,935,041
Tax payable		116,992	69,961
Total liabilities		60,054,677	57,992,968

FTLIFE INSURANCE COMPANY LIMITED

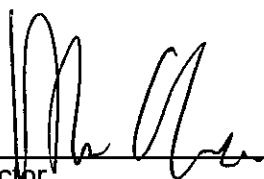
**STANDALONE STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2022**

	Note	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Equity			
Issued capital	40	4,085,700	4,085,700
Reserves	41	7,837,356	16,387,112
Total equity attributable to equity holders		<u>11,923,056</u>	<u>20,472,812</u>
Total liabilities and equity		<u>71,977,733</u>	<u>78,465,780</u>

Approved and authorised for issue by the board of directors on 21 September 2022.


Director

Signed on behalf of the Board.


Director

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Issued • share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI Reserve (recycling) HK\$'000	FVOCI reserve (non- recycling) HK\$'000	Retained profits HK\$'000	Total equity attributable to equity holders HK\$'000
Balance as at 31 December 2019 and 1 January 2020	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

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI Reserve (recycling) HK\$'000	FVOCI reserve (non- recycling) HK\$'000	Retained profits HK\$'000	Total equity attributable to equity holders HK\$'000
Balance as at 30 June 2021 and 1 July 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
Changes in equity for the year:										
Profit for the year	-	-	-	-	-	-	-	-	1,093,020	1,093,020
Other comprehensive income for the year	-	-	-	-	(1,092,431)	3,611,364	(12,508,328)	346,409	-	(9,642,986)
Transfer upon disposal of equities at FVOCI	-	-	-	-	-	-	-	190,696	(190,696)	-
Total comprehensive income for the year	-	-	-	-	(1,092,431)	3,611,364	(12,508,328)	537,105	902,324	(8,549,966)
Balance as at 30 June 2022	<u>4,085,700</u>	<u>1,862,664*</u>	<u>1,294,135*</u>	<u>20,615*</u>	<u>61,535*</u>	<u>2,435,545*</u>	<u>(6,470,452)*</u>	<u>(603,078)*</u>	<u>9,228,918*</u>	<u>11,915,582</u>

* These reserve amounts comprised the consolidated reserves of HK\$7,829,882,000 (As at 30 June 2021: HK\$16,379,848,000) in the consolidated statement of financial position.

The notes on pages 20 to 124 form part of this financial statements.

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

		For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
	Note		
Cash flows from operating activities			
Profit before tax		1,176,676	2,110,212
Adjustments for:			
Finance costs	11	107,624	175,870
Depreciation of property, plant and equipment	16	42,783	63,155
Depreciation of right-of-use assets relating to leased properties	16	119,983	187,751
Amortisation of intangible assets	18	51,816	54,964
Loss on disposals of property, plant and equipment	16	80	1,310
Loss on disposals of intangible assets	18	5,068	-
Interest income from policy loans, loans to agents and others	5	(42,894)	(62,383)
Interest income from bonds, bank deposits and cash and cash equivalents	5	(1,783,223)	(2,298,129)
Dividend income from listed and unlisted investments	6	(288,291)	(265,424)
Dividend income related to investments for unit-linked contracts		(22,917)	(15,576)
Net realised and unrealised capital losses/(gains) on financial assets related to unit-linked contracts at fair value through profit or loss		2,224,501	(1,857,064)
Net realised and unrealised capital losses/(gains) on investments	7	1,149,528	(2,889,041)
Overlay approach adjustments	7	(1,977,457)	933,891
Impairment loss on loans to agents	10	26,560	23,717
Impairment loss on financial assets measured at FVOCI	10	161,339	59,802
Reversal of impairment loss on loans to agents	10	(2,995)	(26,366)
Reversal of impairment loss on premiums receivable	10	(5,521)	(709)
Operating cash flows before changes in working capital		942,660	(3,804,020)

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Operating cash flows before changes in working capital (continued)		942,660	(3,804,020)
Increase in policy loans		(37,078)	(30,660)
Increase in loans to agents		(57,580)	(39,240)
Increase in deferred acquisition costs	20	(121,949)	(482,419)
Decrease in premiums receivable		63,833	8,538
(Increase)/decrease in prepayments, deposits and other debtors		(94,690)	205,486
Purchases of investments		(19,025,603)	(25,200,870)
Proceeds from disposals of investments		12,016,711	14,947,134
Purchases of financial assets related to unit-linked contracts at fair value through profit or loss		(3,721,899)	(9,688,841)
Proceeds from disposals of financial assets related to unit-linked contracts at fair value through profit or loss		3,574,991	10,028,992
Increase in payables to policyholders		65,751	222,849
Increase/(decrease) in accrued expenses and other creditors		37,490	(24,244)
Increase/(decrease) in investment contract liabilities related to non-unit-linked contracts		107	(18)
Increase in insurance contract liabilities related to non-unit-linked contracts		8,815,042	8,930,825
Increase in policyholders' dividends and bonuses		321,140	422,515
(Decrease)/increase in insurance contract liabilities related to unit-linked contracts		(133,472)	119,915
(Decrease)/increase in investment contract liabilities related to unit-linked contracts		(1,981,710)	1,178,570
Net cash generated from/(used in) operations		663,744	(3,205,488)

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Interest received from policy loans, loans to agents and other loan		42,894	62,383
Interest received from bonds, deposits and cash and cash equivalents		1,706,864	2,287,351
Interest paid on cross-currency swap agreements		(46,778)	(115,227)
Interest received from cross-currency swap agreements		47,001	113,080
Dividends received from listed and unlisted investments related to non-unit-linked contracts		277,110	260,118
Dividends received from listed and unlisted investments and investments related to unit-linked contracts		22,917	15,576
Interest paid on cash collateral received for cross-currency swap agreements and forward starting swap agreements		(361)	(4,597)
Interest paid on interest-bearing liabilities		(80,583)	(126,321)
Hong Kong profits tax paid		(36,625)	(145,869)
Decrease in cash collateral received from counterparties		(594,099)	(364,027)
Net cash generated from/(used in) operating activities		2,002,084	(1,223,021)
Cash flows from investing activities			
Purchases of property, plant and equipment	16	(7,846)	(62,737)
Proceeds from disposals of property, plant and equipment		-	194
Acquisition of investment properties	17	(688,879)	-
Purchases of intangible assets	18	(62,080)	(95,584)
Decrease in pledged deposits		-	10,000
Net cash used in investing activities		(758,805)	(148,127)

FTLIFE INSURANCE COMPANY LIMITED

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Cash flows from financing activities			
Repayment of financing under a financial reinsurance arrangement	28(b)	(56,457)	(102,744)
Capital element of lease rentals paid	28(b)	(102,906)	(162,736)
Interest element of lease rentals paid	28(b)	(15,795)	(28,710)
Net cash used in financing activities		<u>(175,158)</u>	<u>(294,190)</u>
Net increase/(decrease) in cash and cash equivalents		1,068,121	(1,665,338)
Cash and cash equivalents at beginning of year		4,550,300	6,215,638
Cash and cash equivalents at end of year		<u>5,618,421</u>	<u>4,550,300</u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances	28(a)	5,559,660	2,547,713
Non-pledged time deposits with original maturity of less than three months	28(a)	31,477	1,949,519
		<u>5,591,137</u>	<u>4,497,232</u>
Cash and cash equivalents attributable to investments related to unit-linked contracts	25	27,284	53,068
		<u>5,618,421</u>	<u>4,550,300</u>

The notes on pages 20 to 124 form part of this financial statements.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 ("NWS") 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 Hong Kong Accounting Standards and 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 properties, 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 was to align the Group's financial year end date with the financial year end of NWS Holdings Limited.

Accordingly, the current financial period covers a twelve months period from 1 July 2021 to 30 June 2022, with the comparative financial period covering eighteen months from 1 January 2020 to 30 June 2021. Consequently, the comparable amount of the consolidated statement of comprehensive income, the consolidated statement of financial position, 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 prior period.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.2 Impact of amendments, new standards, interpretations issued and effective for the year ended 30 June 2022

New and revised HKASs and HKFRSs applied for the financial year ended 30 June 2022

For the financial period ended 30 June 2022, the Group has applied the following amendment to HKASs and HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to these consolidated financial statements.

- Amendment to HKFRS 3, Reference to Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKAS 38, Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to HKFRSs 2018 - 2020

The amendments listed above did not have any impact on the amounts recognised in prior periods.

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2022

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 2022 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 HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17, Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and 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 year ended 30 June 2022 (Continued)

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 presentation and disclosures. 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.

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 recognised 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 recognised 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 recognised 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 recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and 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 year ended 30 June 2022 (Continued)

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

IASB finalised 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 statement of financial position 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. The Company is undertaking assessments and taking steps to get ready for adoption of HKFRS 17.

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 statement of financial position respectively.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(a) Principles of consolidation and equity accounting (Continued)

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).

(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 reporting 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(c) Product classification (Continued)

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.

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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(f) Reinsurance (Continued)

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.

(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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(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 recognised 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.

(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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(n) Investments and other financial assets (Continued)

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.

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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(o) Credit losses and impairment of financial assets

The Group's financial assets measured at amortised cost, including policy loan, loans to agents, deposits and other debtors, cash and cash equivalents and investment related to unit-linked contracts as well as debt instruments at FVOCI (recycling) are subject to expected credit loss model under HKFRS 9 "Financial Instruments" ("HKFRS 9").

The Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 29(e) details how the Group determines whether there has been a significant increase in credit risk.

(p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group 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. The Group 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and 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 in the year/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 reporting 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 in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(t) Investment properties

Property that is held for long-term rental yields and that is not occupied by the Group, is classified as investment property. Investment properties of the Group are principally freehold office buildings and car parks.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs and subsequently remeasured at fair value. Changes in fair values are recognised in profit or loss as part of other income.

(u) 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 lessor

The Group recognised the rental income as other income (see note 2.4(al)) in the accounting period in which they are incurred.

For the lease contract which contains termination value for any early termination based on the termination date, the Group will initially recognise the lease benefits guarantee as an unlisted debt instruments based on the terms and conditions of the operating leases. The debt instruments will then be amortised over the remaining lease terms.

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 recognise 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 capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases with those leases which are not capitalised are recognised as an expense in the accounting period in which they are incurred.

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

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(u) Leased assets (Continued)

As a lessee (continued)

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

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.

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

(v) 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(w)). 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(v) Intangible assets

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.

(w) 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.

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 in the year/period in which it arises.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(x) Premiums receivable

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

(y) Prepayments

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

(z) 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 statements of financial position, 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 expected credit losses ("ECL") in accordance with the policy set out in note 2.4(o).

(aa) 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(ab) 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.

(ac) 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(ad) 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 statement of comprehensive income as part of finance costs.

(ae) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

(af) 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.

(ag) 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/period, 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 reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(ag) 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 reporting 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 reporting 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 year/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 reporting 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.

(ah) 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(ah) Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting 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/period.

(ai) 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)).

(aj) Dividend income

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

(ak) 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.

(al) Rental income

Rental income from investment properties is recognised on a straight-line basis over the terms of the lease agreements.

(am) Borrowing costs

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

(an) 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Application of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards and disclosures (Continued)

2.4 Summary of significant accounting policies (Continued)

(an) 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.

(ao) 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.

(ap) Comparative figures

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

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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(c).

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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates (Continued)

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

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 reporting date of the current year life insurance contract liabilities, net of policyholders' dividends and bonuses was HK\$42,687,387,000 (As at 30 June 2021: HK\$37,617,181,000).

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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates (Continued)

(b) Estimation uncertainty (Continued)

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.

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 reporting date of financial assets measured at fair value, derivative financial assets and derivative financial liabilities are HK\$58,024,323,000, HK\$64,475,000, and HK\$13,705,000. (As at 30 June 2021: HK\$63,222,976,000, HK\$1,452,920,000, and HK\$796,000 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting judgements and estimates (Continued)

(b) Estimation uncertainty (Continued)

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 1 financial assets based on recovery rates from Moody's recovery study. As at 30 June 2021, amounts due from former intermediate holding companies and certain bonds issued by a former fellow subsidiary, which are Stage 2 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.

Valuation of investment properties

Commercial investment properties are measured at fair value and based on active market prices, adjusted if necessary for any difference in nature, location or condition of the specific asset.

Current economic developments and uncertainties influence the valuation of our investment properties. The methods and significant assumptions applied in determining the fair value of our investment properties are mainly due to active market prices.

These market values are based on valuations by independent external valuation experts. The valuation is based on an open market value, supported by market evidence in which assets can be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the reporting date.

As the carpark were newly acquired which is close to the financial year ended 30 June 2022, the purchase costs were referenced to recent market transactions and the Company perceived the purchase cost as the latest market value. The Group will engage independent external valuation experts to assess the latest valuation in December 2022.

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4 Premiums, net of reinsurance

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Gross premiums on life insurance contracts:		
Non-unit-linked	11,799,511	13,020,808
Unit-linked	243,372	332,467
	<u>12,042,883</u>	<u>13,353,275</u>
Reinsurers' share of life insurance contracts premiums:		
Non-unit-linked	(387,775)	(560,476)
Unit-linked	(3,945)	(5,328)
	<u>(391,720)</u>	<u>(565,804)</u>
Premiums, net of reinsurance	<u><u>11,651,163</u></u>	<u><u>12,787,471</u></u>

Further analysis of gross premiums is as follows:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Single premiums	4,125,153	2,139,673
First year premiums	1,179,153	2,196,440
Renewal premiums	6,738,577	9,017,162
Gross premiums on life insurance contracts	<u><u>12,042,883</u></u>	<u><u>13,353,275</u></u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Interest income

During the year/period, interest income is broken down as follows:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Interest income from listed bonds	1,680,034	2,102,122
Interest income from unlisted bonds	101,732	178,709
Interest income from bank deposits and cash and cash equivalents	753	16,272
Interest income from policy loans, loans to agents and others	42,894	62,383
Others	704	1,026
Total interest income	<u>1,826,117</u>	<u>2,360,512</u>

6 Dividend and other investment income

The details of dividend and other investment income during the year/period are shown below:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Dividend income from listed investments	158,125	159,350
Dividend income from unlisted investments	130,166	106,074
Rebate income from investments	3,880	3,605
Total dividend and other investment income	<u>292,171</u>	<u>269,029</u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Realised and unrealised (losses)/gains

During the year/period, net realised and unrealised (losses)/gains are broken down as follows:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Realised and unrealised (losses)/gains on investments:		
Listed financial assets at FVOCI (recycling)	162,119	1,642,552
Unlisted financial assets at FVOCI (recycling)	9,054	22,121
Listed financial assets at FVPL	(1,011,827)	816,638
Unlisted financial assets at FVPL	(308,874)	407,730
Total realised and unrealised (losses)/gains on investments	(1,149,528)	2,889,041
Other realised and unrealised gains	20,473	20,749
Total realised and unrealised (losses)/gains	(1,129,055)	2,909,790

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 year ended 30 June 2022 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 year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Realised and unrealised capital (losses)/gains on investments:		
Amount reported in profit or loss applying HKFRS 9, financial assets to which overlay approach is applied	(1,086,468)	1,170,500
Overlay approach adjustment	1,977,457	(933,891)
Amount that would have been reported in profit or loss if HKAS 39 had been applied, financial assets to which overlay approach is applied	890,989	236,609

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 Fee and commission income

During the year/period, fee and commission income is broken down as follows:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Reinsurance commission income	85,435	59,924
Fee income on insurance and investment contracts	566,814	886,945
Fee on referral business and commission income for general insurance and Mandatory Provident Fund ("MPF")	10,213	13,169
Others	61,751	90,485
Total fee and commission income	<u>724,213</u>	<u>1,050,523</u>

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 year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Claims	1,074,228	1,247,051
Surrenders, annuities and maturities	1,297,136	1,702,466
Policyholders' dividends and interests	389,808	539,023
Incentives to policyholders	289,295	354,825
Increase in insurance contract liabilities - Gross	8,454,939	8,932,039
Total policy reserves, claims and benefits	<u>11,505,406</u>	<u>12,775,404</u>
Reinsurers' and coinsurers' share of claims	(341,767)	(338,836)
Reinsurers' and coinsurers' share of benefits	38,945	(42,054)
Decrease in insurance contract liabilities - reinsurance and coinsurance	4,829	60,471
Total reinsurers' and coinsurers' share of reserves, claims and benefits	<u>(297,993)</u>	<u>(320,419)</u>
Total policy reserves, claims and benefits, net of reinsurance	<u>11,207,413</u>	<u>12,454,985</u>

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10 Impairment losses

During the year/period, impairment losses are broken down as follows:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Impairment loss on loans to agents (note 24 and note 29 (e))	26,560	23,717
Impairment loss on financial assets at FVOCI (note 29 (e))	161,339	59,802
Reversal of impairment loss on premiums receivable (note 26)	(5,521)	(709)
Reversal of impairment loss on loans to agents (note 24 and note 29 (e))	(2,995)	(26,366)
Total impairment losses	<u>179,383</u>	<u>56,444</u>

11 Finance costs

During the year/period, finance costs are broken down as follows:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Interest expense on interest-bearing notes	83,410	124,144
Net interest (income)/expense on cross currency swap agreements (note (i))	(198)	1,031
Interest on financing received under a financial reinsurance arrangement (note (ii) and note 28(b))	8,256	17,388
Interest on cash collateral received for cross currency swap agreements and forward starting swap agreements (note (i))	361	4,597
Interest expense on lease liabilities (note 28(b))	15,795	28,710
	<u>107,624</u>	<u>175,870</u>

Notes:

- (i) Please refer to note 30 to the consolidated financial statements for information on financial derivative arrangements the Group has entered into.
- (ii) Please refer to note 36 to the consolidated financial statements for information on the financial reinsurance arrangement the Group has entered into.

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

12 Profit before tax

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

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Rental income from operating leases (note 17(i))	(1,756)	-
Loss on disposals of property, plant and equipment and intangible assets	5,148	1,310
Auditors' remuneration	2,591	3,008
Depreciation from property, plant and equipment (note 16)	162,766	250,906
Amortisation of intangible assets (note 18)	51,816	54,964
Net foreign exchange	(29,051)	(22,059)
Amortisation of deferred acquisition costs (note (i) and note 20)	1,024,382	1,512,356
Short term lease rentals on land and buildings	-	758
Direct operating expenses from investment properties that generated rental income (note 17(i))	654	-
	<hr/>	<hr/>
Employee benefit expenses (including directors' remuneration (note 13)):		
- Wages and salaries	445,005	568,466
- Net retirement benefit scheme contributions for employees	21,197	30,928
- Other benefits	58,839	59,436
	<hr/>	<hr/>
Total employee benefit expenses	525,041	658,830
	<hr/>	<hr/>
Net retirement benefit scheme contributions for agents	20,013	31,749
	<hr/>	<hr/>

Note

- (i) The amortisation of deferred acquisition costs for the year/period is included in "Change in deferred acquisition costs" in the consolidated statement of comprehensive income, and is disclosed in note 20 to the consolidated financial statements.

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13 Directors' remuneration

Directors' remuneration during the year/period is as follows:

	Group	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Executive and non-executive directors:		
Fees	4,310	4,410
Salaries, allowances and benefits in kind	39,793	55,776
Contributions to retirement benefits schemes	304	1,414
	<u>44,407</u>	<u>61,600</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 30 June 2022 (for eighteen months ended 30 June 2021: HK\$Nil). The aggregate amount of the two highest paid executive directors was HK\$40,097,000 (three highest paid executive directors for the eighteen months ended 30 June 2021: HK\$57,190,000).

14 Tax

Hong Kong profits tax has been provided at the rate of 16.5% (for the eighteen months ended 30 June 2021: 16.5%) on the estimated assessable profits for the year ended 30 June 2022 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% (for the eighteen months ended 30 June 2021: 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 year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Current - Hong Kong		
Current tax provision and total tax charge for the year/ period	106,595	118,245
Adjustments for current tax of prior years	<u>(22,939)</u>	<u>-</u>

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14 Tax (Continued)

	For the year ended 30 June 2022		For the eighteen months ended 30 June 2021	
	HK\$'000	%	HK\$'000	%
Profit before tax	<u>1,176,676</u>		<u>2,110,212</u>	
Tax at the statutory rate	194,151	16.5	348,185	16.5
Tax on 5% of net premiums of life insurance business	104,928	8.9	114,033	5.4
Adjustments for current tax of prior years	(22,939)	(1.9)	-	-
Results of life insurance business and other businesses not taxable at the statutory rate	<u>(192,484)</u>	<u>(16.4)</u>	<u>(343,973)</u>	<u>(16.3)</u>
Tax charge at the Group's effective rate	<u>83,656</u>	<u>7.1</u>	<u>118,245</u>	<u>5.6</u>

The Group has accumulated tax losses arising in Hong Kong of HK\$4,130,000 (for the eighteen months ended 30 June 2021: HK\$3,942,000) 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.

15 Profit for the year/period attributable to equity holders

The consolidated profit attributable to equity holders for the year ended 30 June 2022 includes a profit of HK\$1,093,230,000 (for the eighteen months ended 30 June 2021: HK\$1,992,134,000) which has been dealt with in the financial statements of the Company (note 41(b)).

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16 Property, plant and equipment

At 30 June 2022

	Group and Company				
	Computer equipment HK\$'000	Vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Right-of-use assets of leased properties HK\$'000	Total HK\$'000
At 1 July 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
At 1 July 2021, net of accumulated depreciation	27,065	-	95,507	474,439	597,011
Additions	9,913	-	380	23,171	33,464
Adjustments	-	-	(2,447)	-	(2,447)
Reinstatement cost remeasure	-	-	-	(17,848)	(17,848)
Depreciation charge	(8,551)	-	(34,232)	(119,983)	(162,766)
Disposals, net of accumulated depreciation	-	-	(80)	-	(80)
At 30 June 2022, net of accumulated depreciation	28,427	-	59,128	359,779	447,334
At 30 June 2022:					
Cost	61,801	-	190,680	726,214	978,695
Accumulated depreciation	(33,374)	-	(131,552)	(366,435)	(531,361)
Net carrying amount	28,427	-	59,128	359,779	447,334

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16 Property, plant and equipment (Continued)

At 30 June 2021

	Group and Company				
	Computer equipment HK\$'000	Vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Right-of-use assets of leased properties HK\$'000	Total HK\$'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 charge	(9,091)	(39)	(54,025)	(187,751)	(250,906)
Disposals, 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

17 Investment properties

	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
At fair value		
Opening balance at 1 July/1 January	-	-
Acquisitions	688,879	-
At year/period end	688,879	-

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Investment properties (Continued)

On 31 May 2022, the Group purchased units of commercial properties for long-term rental yields. The cost of acquisition amounted to HK\$661,779,000. On 20 June 2022, the Group purchased units of car parks with acquisition cost amounted to HK\$27,100,000.

- (i) *Amounts charging/(crediting) recognised in consolidated statement of comprehensive income for investment properties:*

	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Rental income from operating leases recognised in other income	(1,756)	-
Direct operating expenses from investment properties that generated rental income	654	-
	<u>654</u>	<u>-</u>

- (ii) *Valuation processes*

The Group measures its investment properties at fair value. The commercial properties were revalued by Knight Frank Petty Limited, an independent qualified valuer, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 30 June 2022 on an open market value basis.

The Group's management reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the management and the independent valuer at least once every six months, which aligns with NWS Holdings Limited's interim and annual reporting dates.

- (iii) *Valuation techniques*

Fair values of investment properties for commercial office buildings and car parks in Hong Kong are generally derived using market approach. The rationale of this approach is to directly relate the market comparable transactions with the properties to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the properties and the comparable transactions. Adjustment factors therefore may include location, environment and the like.

All resulting fair value estimates for investment properties are included in level 3.

There were no changes to the valuation techniques during the year and there were no transfers among the fair value hierarchy during the year.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Investment properties (Continued)

(iv) Valuation inputs and relationships to fair value

Investment properties	At 30 June 2022 Fair Value HK\$'000	Valuation methods	Unobservable inputs	At 30 June 2022 Range of significant unobservable inputs
Hong Kong Commercial properties	661,779	Sales comparison	Property specific adjusting factors	-10% to 10%
Carparks	27,100	Sales comparison	Unit price	Not applicable

Fair values of the commercial investment properties in Hong Kong are generally derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties transacted and/or asking prices. Property specific adjusting factors include but not limited to location, size, age, condition, aspect, quality, ancillary facilities are required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration. The valuations of commercial investment properties were based on the economic, market and other conditions as they exist on, and with information available to management as of 30 June 2022.

As the carparks were newly acquired on 20 June 2022 which is close to the financial year ended 30 June 2022, the purchase costs were referenced to recent market transactions and the Company perceived the purchase cost as the latest market value. The next valuation will be performed in December 2022.

18 Intangible assets

Group and Company

	Computer software HK\$'000
At 1 July 2021:	
Cost	441,930
Accumulated amortisation	(290,091)
Net carrying amount	151,839
At 1 July 2021, net of accumulated amortisation	151,839
Additions	62,080
Amortisation during the period	(51,816)
Disposals, net of accumulated amortisation	(5,068)
At 30 June 2022, net of accumulated amortisation	157,035
At 30 June 2022:	
Cost	497,729
Accumulated amortisation	(340,694)
Net carrying amount	157,035

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

18 Intangible assets (Continued)

Group and Company (Continued)

	Computer software HK\$'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 period	(54,964)
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

19 Interests in subsidiaries and amount due to a subsidiary

	Company At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Unlisted shares, at cost	650	650
Amount due to a subsidiary	(1,952,564)	(1,931,933)

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 HK\$1,974,209,000 as at 30 June 2022 (As at 30 June 2021: HK\$2,030,598,000) 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.

FTLIFE INSURANCE COMPANY LIMITED
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19 Interests in subsidiaries and amount due to a subsidiary (Continued)

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		Principal activities
			Direct	Indirect	
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

20 Deferred acquisition costs

	Group and Company	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
At 1 July/1 January	6,009,511	5,527,092
Additions: New business	1,146,331	1,994,775
Less: Amortisation (note 12)	(1,024,382)	(1,512,356)
Change in deferred acquisition costs	121,949	482,419
At 30 June	6,131,460	6,009,511

The maturity profile for DAC is stated as below:

	Group and Company	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
To be amortised within one year	958,413	947,804
To be amortised after one year	5,173,047	5,061,707
	6,131,460	6,009,511

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20 Deferred acquisition costs (Continued)

A sensitivity analysis for DAC is provided below:

		Group and Company	
	Assumption change	Decrease in profit before tax HK\$'000	Decrease in equity HK\$'000
30 June 2022			
Lapse	+20%	(108,257)	(108,257)
Mortality	+10%	(1,936)	(1,936)
Investment return	-0.5%	(20,793)	(20,793)
30 June 2021			
Lapse	+20%	(88,026)	(88,026)
Mortality	+10%	(1,787)	(1,787)
Investment return	-0.5%	(17,674)	(17,674)

21 Financial assets at FVOCI and FVPL

	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Financial assets measured at FVOCI (recycling)		
Fixed rate bonds, at market value:		
Listed - government bonds	6,989,447	2,822,708
Listed - others	28,472,390	35,496,060
Unlisted - others	2,316,522	2,898,143
	<u>37,778,359</u>	<u>41,216,911</u>
Variable rate bonds, at market value:		
Listed - others	1,699,544	974,180
Unlisted - government bonds	23,100	27,244
Unlisted - others	29,046	39,182
	<u>1,751,690</u>	<u>1,040,606</u>
Total financial assets at FVOCI (recycling)	<u>39,530,049</u>	<u>42,257,517</u>

FTLIFE INSURANCE COMPANY LIMITED

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21 Financial assets at FVOCI and FVPL (Continued)

	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Financial assets measured at FVOCI (non-recycling)		
Equities, at fair value:		
Listed	1,020,965	1,595,449
Total financial assets at FVOCI (non-recycling)	1,020,965	1,595,449
Total financial assets at FVOCI (recycling and non-recycling)	40,551,014	43,852,966
Financial assets measured at FVPL		
Listed	1,776,006	692,449
Unlisted	2,498,145	1,130,780
	4,274,151	1,823,229
Interests in investment funds, at fair value	3,888,402	7,213,661
Total financial assets at FVPL	8,162,553	9,036,890
Total financial assets at FVOCI and FVPL	48,713,567	52,889,856

The fair value of debt securities (except leasing benefits) and interests in investment funds are based on quoted market prices at year /period end. Leasing benefits are valued based on the discounted rental income cash flows.

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

	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
With a contractual maturity of:		
One year or less	2,027,160	391,612
Two years or less but over one year	155,875	535,722
Three years or less but over two years	289,456	185,308
Four years or less but over three years	260,134	398,080
Five years or less but over four years	205,769	544,651
Over five years	36,591,655	40,202,144
Total bonds	39,530,049	42,257,517

FTLIFE INSURANCE COMPANY LIMITED

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21 Financial assets at FVOCI and FVPL (Continued)

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

	Group and Company	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Realised gains included in profit or loss (note 7)	(171,173)	(1,664,673)
Impairment loss (including foreign exchange) included in profit or loss (note 29 (e))	162,766	59,877
Net movement in FVOCI reserve (recycling)	(10,522,464)	1,790,321
Overlay approach adjustments in profit or loss (note 7)	(1,977,457)	933,891
Net movement in FVOCI reserve (non-recycling) recognised in other comprehensive income	346,409	(301,511)
Net movement in financial assets during the year/period recognised in other comprehensive income	(12,161,919)	817,905

At 30 June 2022 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 2022 HK\$'000	At 30 June 2021 HK\$'000
Equities, at fair value		
- Listed	1,549,870	355,405
- Unlisted	2,406,607	1,130,780
Total equities	3,956,477	1,486,185
Interests in investment funds, at fair value		
- Listed	2,349,189	3,983,219
- Unlisted	1,184,259	2,749,155
Total interests in investment funds	3,533,448	6,732,374
Total financial assets measured at FVPL accounted for under the overlay approach	7,489,925	8,218,559

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22 Policy loans and loans to agents

		Group and Company	
		At	At
	Note	30 June 2022	30 June 2021
		HK\$'000	HK\$'000
Policy loans	23	543,428	506,350
Loans to agents	24	99,645	65,630
Total policy loans and loans to agents		<u>643,073</u>	<u>571,980</u>

23 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 8.0% (2021: 8.5%) per annum for the year. The directors consider that the fair value of the loans approximately equals to the corresponding carrying value.

24 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	At
	30 June 2022	30 June 2021
	HK\$'000	HK\$'000
Loans to agents	179,884	122,304
Loss allowance	(80,239)	(56,674)
Total loans to agents, net of loss allowance	<u>99,645</u>	<u>65,630</u>

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

	Group and Company	
	For the year ended 30 June 2022	For the eighteen months ended 30 June 2021
	HK\$'000	HK\$'000
At 1 July/1 January	56,674	64,797
Impairment loss recognised (note 10)	26,560	23,717
Reversal of impairment loss (note 10)	(2,995)	(26,366)
Written-off	-	(5,474)
At 30 June	<u>80,239</u>	<u>56,674</u>

FTLIFE INSURANCE COMPANY LIMITED
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24 Loans to agents (Continued)

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

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Not yet past due	68,636	60,829
Within one month past due	11,579	3,703
More than one month past due	19,430	1,098
	<hr/>	<hr/>
Total loans to agents, net of loss allowance	99,645	65,630
	<hr/>	<hr/>

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	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Within one year	99,645	65,630
	<hr/>	<hr/>

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

25 Investments related to unit-linked contracts

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss:		
- Interests in investment funds, at fair value	8,621,877	10,717,126
- Cash and cash equivalents	27,284	53,068
	<hr/>	<hr/>
Total investments related to unit-linked contracts	8,649,161	10,770,194
	<hr/>	<hr/>

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26 Premiums receivable

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Premiums receivable	237,989	301,814
Provision for impairment	(7,936)	(13,449)
Total premiums receivable, net of impairment	<u>230,053</u>	<u>288,365</u>

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

	Group and Company	
	For the	For the
	year	eighteen
	ended	months
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
At 1 July/1 January	13,449	14,124
Reversal of impairment loss (note 10)	(5,521)	(709)
Exchange realignment	8	34
At 30 June	<u>7,936</u>	<u>13,449</u>

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 receivable 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.

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

27 Prepayments, deposits and other debtors

	Group	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Prepayments (Note)	261,599	273,364
Accrued interest/dividend income on:		
- cross currency swap agreements (note 30)	10,347	13,614
- equities and interests in investment funds	20,113	8,228
- others	42	44
Deposits	48,533	47,914
Reinsurance assets:		
- reinsurers' share of insurance contract liabilities (note 37)	1,685	1,649
- other receivables from reinsurers	256,907	155,398
Other debtors	76,289	747,950
	<u>675,515</u>	<u>1,248,161</u>
	Company	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Prepayments (Note)	261,599	273,364
Accrued interest/dividend income on:		
- cross currency swap agreements (note 30)	10,347	13,614
- equities and interests in investment funds	20,113	8,228
- others	42	44
Deposits	48,533	47,914
Reinsurance asset:		
- reinsurers' share of insurance contract liabilities (note 37)	1,685	1,649
- other receivables from reinsurers	256,907	155,398
Other debtors	76,289	747,560
	<u>675,515</u>	<u>1,247,771</u>

Note: Included in prepayments mainly are advances to agents and other intermediaries of HK\$142,768,000 (At 30 June 2021: HK\$189,021,000) and prepayments to software and systems under development of HK\$78,237,000 (At 30 June 2021: HK\$38,837,000), which are not yet past due.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 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	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
To be amortised within one year	60,372	100,225
To be amortised after one year	82,396	88,796
	<u>142,768</u>	<u>189,021</u>

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.

28 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	Group	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Cash and bank balances	5,559,660	2,547,713
Time deposits	31,477	1,949,519
Cash and cash equivalents	<u>5,591,137</u>	<u>4,497,232</u>

	Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Cash and bank balances	5,545,054	2,536,164
Time deposits	31,477	1,949,519
Cash and cash equivalents	<u>5,576,531</u>	<u>4,485,683</u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 Cash and cash equivalents (Continued)

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

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

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
With an original maturity of:		
Three months or less	31,477	1,949,519

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

(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 HK\$'000 (Note 36)	Lease liabilities HK\$'000 (Note 35)	Total HK\$'000
At 1 July 2021	283,483	500,051	783,534
Changes from financing cash flows:			
Repayment of financing under a financial reinsurance arrangement	(56,457)	-	(56,457)
Capital element of lease rentals paid	-	(102,906)	(102,906)
Interest element of lease rentals paid	-	(15,795)	(15,795)
Total changes from financing cash flows	(56,457)	(118,701)	(175,158)

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 Cash and cash equivalents (Continued)

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

	Financial reinsurance arrangement HK\$'000 (Note 36)	Lease liabilities HK\$'000 (Note 35)	Total HK\$'000
Other changes:			
Interest expenses (note 11)	8,256	15,795	24,051
Increase in lease liabilities from new leased properties	-	23,021	23,021
Reinstatement cost remeasure for the right-of-use assets of leased properties (note 16)	-	(17,848)	(17,848)
Total other changes	8,256	20,968	29,224
At 30 June 2022	235,282	402,318	637,600
	Financial reinsurance arrangement HK\$'000 (Note 36)	Lease liabilities HK\$'000 (Note 35)	Total HK\$'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

During the year ended 30 June 2022 and for the eighteen months ended 30 June 2021, there were no changes from financing cash flows arising from the notes issued by a subsidiary of the Company (see note 36(i)). Payments of interest expenses of the notes are classified as operating activities as shown in the consolidated cash flow statement.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 Cash and cash equivalents (Continued)

(c) Total cash outflow for leases

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

	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Within operating cash flows	119,983	187,751
Within financing cash flows	(118,701)	(191,446)
	<u>1,282</u>	<u>(3,695)</u>

29 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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 related policies, 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 review 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.

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 2022 for Invest-a-surance amounted to HK\$61,951,428 (2021: HK\$61,829,612). The investment fund for Elite Choice amounted to HK\$13,716,945 (2021: HK\$13,026,470). The investment fund for Wealth Achiever amounted to HK\$653,523,555 (2021: HK\$650,720,700). The investment fund for Gorgeous Universal Life Protection Plan amounted to \$104,983,435 (2021: HK\$92,402,076). The reserve for Super Saver amounted to HK\$Nil because all Super Saver policies have already matured by November 2021 (2021: HK\$389,299,399). The reserve held for the investment guarantee amounted to HK\$1,762,961 (2021: HK\$3,657,227) for Invest-a-surance. The reserve held for the Elite Choice guarantee return amounted to HK\$102,537 (2021: HK\$97,731).

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(d) Insurance risk (Continued)

Group and Company

	At 30 June 2022			At 30 June 2021		
	Gross liabilities	Reinsurers' share of liabilities	Net liabilities	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Type of products						
Whole life	39,254,245	(1,279)	39,252,966	34,310,982	(1,213)	34,309,769
Term	95,878	(273)	95,605	94,988	(284)	94,704
Dread disease	2,130,913	(58)	2,130,855	1,904,332	(77)	1,904,255
Medical	266,422	-	266,422	241,310	-	241,310
Disability	10,081	(35)	10,046	10,684	(33)	10,651
Accident	25,259	(40)	25,219	23,954	(42)	23,912
At 30 June	41,782,798	(1,685)	41,781,113	36,586,250	(1,649)	36,584,601
Coinurance liabilities	231,473	-	231,473	224,343	-	224,343
Insurance contract liabilities related to non-unit-linked contracts (note 37)	42,014,271	(1,685)	42,012,586	36,810,593	(1,649)	36,808,944

(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:

	<i>For the year ended 30 June 2022</i>	<i>For the eighteen months ended 30 June 2021</i>
Mortality rate	<p>For products with full underwriting, 59% 2001 Hong Kong Assured Life Mortality tables for males and females, with selection factor 50% at year 1 and 75% at year 2.</p> <p>For products without full underwriting, 59% 2001 Hong Kong Assured Life Mortality tables for males and females.</p>	<p>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.</p> <p>For products without full underwriting, 62% 2001 Hong Kong Assured Life Mortality tables for males and females.</p>

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NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(d) Insurance risk (Continued)

(i) Key assumptions (Continued)

	<i>For the year ended 30 June 2022</i>	<i>For the eighteen months ended 30 June 2021</i>
Interest rate	<p>2.10% for Regent Insurance Plan, Regent Prestige Insurance Plan, Regent Premier Insurance Plan, Joyful Life Insurance Plan, and Regent Insurance Plan 2, Regent Insurance Plan 3 (Prestige Version), Regent Prime/ Elite Insurance Plan, Regent Prime /Elite Insurance Plan II, and RewardPro Insurance Plan</p> <p>3.35% 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</p> <p>2.60% for HealthCare 168 Critical Illness Protector, HealthCare 168 Critical Illness Protector 2, HealthCare 168 Plus Critical Illness Protector</p> <p>2.60% On Your Mind Insurance Plan,</p> <p>2.80% for Glorious Protection Insurance Plan</p> <p>2.80% for IncomePro Annuity Plan (Regular Premium)</p> <p>2.80% for IncomePro Annuity Plan (Single Premium)</p> <p>2.80% for Prosperous Deferred Annuity Plan</p> <p>2.80% for Prosperous Deferred Annuity Plan 2</p> <p>2.60% for Fortune Saver</p> <p>2.60% for Fortune Saver II</p> <p>2.60% for Fortune Saver III</p>	<p>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</p> <p>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</p> <p>2.50% for HealthCare 168 Critical Illness Protector HealthCare 168 Critical Illness Protector 2, HealthCare 168 Plus Critical Illness Protector</p> <p>3.44% On Your Mind Insurance Plan</p> <p>3.20% for Glorious Protection Insurance Plan</p> <p>3.55% for IncomePro Annuity Plan (Regular Premium)</p> <p>4.10% for IncomePro Annuity Plan (Single Premium)</p> <p>3.70% for Prosperous Deferred Annuity Plan</p> <p>3.83% for Prosperous Deferred Annuity Plan 2</p> <p>3.31 % for Fortune Saver</p> <p>3.57 % for Fortune Saver II</p> <p>3.75% for most other policies</p>

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(d) Insurance risk (Continued)

(i) Key assumptions (Continued)

	<i>For the year ended 30 June 2022</i>	<i>For the eighteen months ended 30 June 2021</i>
Interest rate	4.25% for ESG Combo 3.80% 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

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 eighteen months ended 30 June 2021	10.26%
For the year ended 30 June 2022	-15.40%

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

For the eighteen months ended 30 June 2021	86%
For the year ended 30 June 2022	83%

(ii) Sensitivities

For the year ended 30 June 2022

	Assumption change	(Decrease)/ increase in profit before tax HK\$'000	(Decrease)/ increase in equity HK\$'000
Mortality	+10%	(233,910)	(233,910)
Discount rate	-50 basis points	(2,279,532)	(2,279,532)
Expense	+10%	(64,473)	(64,473)
Lapse rate	+20%	152,845	152,845

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NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(d) Insurance risk (Continued)

(ii) Sensitivities (Continued)

For the eighteen months ended 30 June 2021

	Assumption change	(Decrease)/ increase in profit before tax HK\$'000	(Decrease)/ increase in equity HK\$'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

(e) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk of the Group mainly arises from policy loans, loans to agent, debt securities, derivative financial instruments, deposits and other debtors and cash and cash equivalents.

The Group considers the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by close monitoring against established credit policies in each of its business. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets, generally on individual basis, as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are generally incorporated:

- external credit rating (if any);
- average default rate by independent external parties;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet their obligations; and
- significant actual and expected changes in the performance and behaviour of the counterparties, including changes in the payment status of counterparties in the Group and changes in the operating results of the counterparties.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. Financial assets are considered to be credit-impaired and written off when there is no reasonable expectation of recovery.

The Group limits the exposures in various asset types to pre-defined strategic asset allocation ranges. 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

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:

- significant market value drop (i.e. more than 15% drop for non-investment grade financial assets) due to widening of credit spread; and
- non-investment grade financial assets with credit rating downgraded by 4 notches or more.

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(ai) 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.

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NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

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 on contractual payments or delinquency in interest or principal payments, unless a compensation plan is proposed and accepted by the Group;
- it becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties of the issuer;
- Second best credit rating falls to Ca or below.

Incorporation of forward looking adjustment ("FLA")

As an adjustment factor, FLA considers the probability of bear case economy, base case economy and bull case economy based on simulation result based on the latest economic scenario. 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 FLA to the ECL measurement.

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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Write-off policy (Continued)

The table below shows the market value for the components of certain financial instruments and insurance assets of the consolidated statement of financial position of the Group that are subject to credit risk exposure:

At 30 June 2022

	General and shareholders' fund HK\$'000	Unit-linked HK\$'000	Total HK\$'000
Policy loans	543,428	-	543,428
Loans to agents	99,645	-	99,645
Debt securities	39,572,424	-	39,572,424
Derivative financial instruments	64,475	-	64,475
Deposits and other debtors	370,953	42,963	413,916
Cash and cash equivalents (Note)	5,590,990	147	5,591,137
Cash and cash equivalents attributable to investments related to unit-linked contracts	-	27,284	27,284
At 30 June 2022	46,241,915	70,394	46,312,309

At 30 June 2021

	General and shareholders' fund HK\$'000	Unit-linked HK\$'000	Total HK\$'000
Policy loans	506,350	-	506,350
Loans to agents	65,630	-	65,630
Debt securities	42,257,517	-	42,257,517
Derivative financial instruments	1,452,920	-	1,452,920
Deposits and other debtors	939,519	35,278	974,797
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 represents cash-in-transit from trades of unit-linked business.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying certain financial assets according to the credit ratings of instruments or counterparties where applicable.

At 30 June 2022

	Investment grade HK\$'000	Non- investment grade HK\$'000	Unit-linked HK\$'000	Total HK\$'000
Policy loans	-	543,428	-	543,428
Loans to agents	-	99,645	-	99,645
Debt securities	38,999,704	572,720	-	39,572,424
Derivative financial instruments	64,475	-	-	64,475
Deposits and other debtors	10,389	360,564	42,963	413,916
Cash and cash equivalents	5,590,990	-	147	5,591,137
Cash and cash equivalents attributable to investments related to unit-linked contracts	-	-	27,284	27,284
At 30 June 2022	44,665,558	1,576,357	70,394	46,312,309

At 30 June 2021

	Investment Grade HK\$'000	Non- investment grade HK\$'000	Unit-linked HK\$'000	Total HK\$'000
Policy loans	-	506,350	-	506,350
Loans to agents	-	65,630	-	65,630
Debt securities	41,074,950	1,182,567	-	42,257,517
Derivative financial instruments	651,151	801,769	-	1,452,920
Deposits and other debtors	13,658	925,861	35,278	974,797
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 30 June 2021	46,209,146	3,482,177	116,191	49,807,514

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Credit exposure by credit rating (Continued)

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 debt securities which are below Baa3 and BBB- in the Moody's and Standard and Poor's credit rating systems respectively as non-investment grade debt securities.

As at 30 June 2022, the amount of the non-investment grade debt securities held by the Group was approximately 1% of its invested assets (At 30 June 2021: 2%).

Credit losses and impairment of financial assets

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, deposits and other debtors, policy loans and loans to agents); and
- debt securities measured at FVOCI.

Financial assets measured at FVPL, including equities, interests in investment funds 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Measurement of ECLs (Continued)

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

ECLs are measured on either of the following bases:

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

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

Classification of financial assets by Stage 1, Stage 2 and Stage 3

Stage 1 (12-month ECL): For financial instruments without a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date, ECLs resulting from default events that are possible within 12 months after the reporting date are recognised. For the avoidance of doubt, the Group classified all financial instruments rated as investment grade are classified as Stage 1 assets.

Stage 2 (Lifetime ECL not credit-impaired): For financial instruments with a significant increase in credit risk since initial recognition and is not considered as low risk, lifetime ECLs are recognised. The Group considered non-investment grade financial assets with credit rating downgraded by 4 notches or more as a significant increase in credit risk. Besides, the Group adopted qualitative evaluation on the credit quality of assets to identify other assets with significant increase in credit risk.

Stage 3 (Lifetime ECL credit-impaired): For financial instruments that its credit risks has increased to the level where the Group will consider credit-impaired. The Group considered financial assets which have breach of financial covenants, default on contractual payments or credit rating downgraded to default rating as credit-impaired.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Classification of financial assets by Stage 1, Stage 2 and Stage 3 (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 "Stage 1: 12-month ECL", "Stage 2: Lifetime ECL – not credit-impaired" and "Stage 3: Lifetime ECL - credit-impaired", see note 2.4(o).

At 30 June 2022

	Investment grade			Non-investment grade			Unit-linked		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
	ECL -	ECL -	ECL -	ECL -	ECL -	ECL -	ECL -	ECL -	ECL -
	not credit-	not credit-	credit -	not credit-	not credit-	credit -	12-month	not credit-	credit -
	impaired	impaired	impaired	impaired	impaired	impaired	ECL	impaired	impaired
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At amortised cost									Total
Policy Loan	-	-	-	543,428	-	-	-	-	543,428
Loans to agents	-	-	-	-	103,708	76,176	-	-	179,884
Deposits and other debtors	10,389	-	-	360,564	-	-	42,963	-	413,916
Cash and cash equivalents	5,590,990	-	-	-	-	-	147	-	5,591,137
Cash and cash equivalents attributable to investments related to unit-linked contracts	-	-	-	-	-	-	27,284	-	27,284
Gross carrying amount	5,601,379	-	-	903,992	103,708	76,176	70,394	-	6,755,649
Less: Loss allowance	-	-	-	-	(20,554)	(59,685)	-	-	(80,239)
Amortised cost	5,601,379	-	-	903,992	83,154	16,491	70,394	-	6,675,410

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Classification of financial assets by Stage 1, Stage 2 and Stage 3 (Continued)

At 30 June 2022 (Continued)

	Investment grade			Non-investment grade			Unit-linked			Total HK\$'000
	Stage 1	Stage 2 Lifetime ECL -	Stage 3 Lifetime ECL -	Stage 1	Stage 2 Lifetime ECL -	Stage 3 Lifetime ECL -	Stage 1	Stage 2 Lifetime ECL -	Stage 3 Lifetime ECL -	
	12-month ECL HK\$'000	not credit - impaired HK\$'000	credit - impaired HK\$'000	12-month ECL HK\$'000	not credit - impaired HK\$'000	credit - impaired HK\$'000	12-month ECL HK\$'000	not credit - impaired HK\$'000	credit - impaired HK\$'000	
Financial assets at FVOCI (recycling)										
Bonds										
Gross carrying amount	44,159,027	-	-	616,780	340,156	333,273	-	-	-	45,449,236
Less: Loss allowance	(60,109)	-	-	(2,771)	(11,865)	(153,030)	-	-	-	(227,775)
Amortised cost	44,098,918	-	-	614,009	328,291	180,243	-	-	-	45,221,461
Carrying amount - fair value	38,957,329	-	-	458,757	71,529	42,434	-	-	-	39,530,049

For credit risk in respect of premiums receivable, the ageing analysis is included in note 26 to the consolidated financial statements.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Classification of financial assets by Stage 1, Stage 2 and Stage 3 (Continued)

At 30 June 2021

	Investment grade		Non-investment grade		Unit-linked		Total
	Stage 1	Stage 2 Lifetime ECL - not credit - impaired HK\$'000	Stage 3 Lifetime ECL - credit - impaired HK\$'000	Stage 1 Lifetime ECL - 12-month ECL HK\$'000	Stage 2 Lifetime ECL - not credit - impaired HK\$'000	Stage 3 Lifetime ECL - credit - impaired HK\$'000	
At amortised cost							
Policy Loan	-	-	-	506,350	-	-	506,350
Loans to agents	-	-	-	-	-	-	122,304
Deposits and other debtors	13,658	-	-	925,861	-	-	974,797
Cash and cash equivalents	4,469,387	-	-	-	-	-	4,497,232
Cash and cash equivalents attributable to investments related to unit-linked contracts	-	-	-	-	-	-	53,068
Gross carrying amount	4,483,045	-	-	1,432,211	51,108	71,196	6,153,751
Less: Loss allowance	-	-	-	-	(1,970)	(54,704)	(56,674)
Amortised cost	4,483,045	-	-	1,432,211	49,138	16,492	6,097,077

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(e) Credit risk (Continued)

Classification of financial assets by Stage 1, Stage 2 and Stage 3 (Continued)

At 30 June 2021 (Continued)

	Investment grade			Non-investment grade			Unit-linked		Total HK\$'000
	Stage 1	Stage 2 Lifetime ECL - not credit - impaired HK\$'000	Stage 3 Lifetime ECL - credit - impaired HK\$'000	Stage 1	Stage 2 Lifetime ECL - not credit - impaired HK\$'000	Stage 3 Lifetime ECL - credit - impaired HK\$'000	Stage 1	Stage 2 Lifetime ECL not credit - impaired HK\$'000	Stage 3 Lifetime ECL - credit - impaired HK\$'000
Financial assets at FVOCI (recycling)									
Bonds									
Gross carrying amount	36,252,908	-	-	989,054	235,591	-	-	-	37,477,553
Less: Loss allowance	(35,680)	-	-	(6,618)	(26,300)	-	-	-	(68,598)
Amortised cost	36,217,228	-	-	982,436	209,291	-	-	-	37,408,955
Carrying amount - fair value	41,074,950	-	-	963,653	218,914	-	-	-	42,257,517

For credit risk in respect of premiums receivable, the ageing analysis is included in note 26 to the consolidated financial statements.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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:

	As at 30 June 2022			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL not credit- impaired HK\$'000	Stage 3 Lifetime ECL credit- impaired HK\$'000	
Loan to agents				
Balance as at 1 July 2021	-	1,970	54,704	56,674
Increase in loss allowance recognised in current year	-	19,704	6,856	26,560
Release of loss allowance for loans derecognised upon settlement	-	(1,120)	(1,875)	(2,995)
Balance as at 30 June 2022	-	20,554	59,685	80,239
	As at 30 June 2022			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL not credit- impaired HK\$'000	Stage 3 Lifetime ECL credit- impaired HK\$'000	
Bonds				
Balance as at 1 July 2021	42,298	26,300	-	68,598
Increase in loss allowance recognised in current year	1,996	9,430	149,913	161,339
Transfers	21,677	(23,998)	2,321	-
Release of loss allowance for bonds derecognised upon settlement	(3,589)	-	-	(3,589)
Exchange realignment	498	133	796	1,427
Balance as at 30 June 2022	62,880	11,865	153,030	227,775

For credit risk in respect of bonds, the maturity profile is included in note 21 in the consolidated financial statements.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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 (Continued)

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

	As at 30 June 2021			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL not credit- impaired HK\$'000	Stage 3 Lifetime ECL credit- impaired HK\$'000	
Loan to agents				
Balance as at 1 January 2020	-	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
	As at 30 June 2021			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL not credit- impaired HK\$'000	Stage 3 Lifetime ECL credit- impaired HK\$'000	
Bonds				
Balance as at 1 January 2020	15,187	-	-	15,187
Increase in loss allowance recognised in current year	33,735	26,067	-	59,802
Transfers	(202)	202	-	-
Release of loss allowance for bonds derecognised upon settlement	(6,466)	-	-	(6,466)
Exchange realignment	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 21 in the consolidated financial statements.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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; 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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(f) Liquidity risk (Continued)

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

At 30 June 2022

	Contractual undiscounted cashflows							
	2 years or less but >1 year HK\$'000	3 years or less but >2 years HK\$'000	4 years or less but >3 years HK\$'000	5 years or less but >4 years HK\$'000	> 5 years HK\$'000	Unit-linked HK\$'000	Total HK\$'000	Carrying amount HK\$'000
Insurance contract liabilities related to unit-linked contracts	-	-	-	-	-	673,116	673,116	673,116
Investment contract liabilities related to unit-linked contracts	-	-	-	-	-	8,155,056	8,155,056	8,155,056
Derivative financial instruments	3,452	(131)	1,194	97	(503)	18,966	-	23,075
Interest-bearing liabilities	2,191,433	80,046	65,998	-	-	-	-	2,241,014
Payables to policyholders	1,684,875	-	-	-	-	-	91,667	1,776,542
Accrued expenses and other creditors	735,893	110,549	117,602	53,593	53,593	27,412	15,815	1,097,984
	4,615,653	190,464	184,794	53,690	53,090	46,378	8,935,654	13,957,417

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

(f) Liquidity risk (Continued)

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

At 30 June 2021

	Contractual undiscounted cashflows						Carrying amount HK\$'000
	1 year or less HK\$'000	2 years or less but >1 year HK\$'000	3 years or less but >2 years HK\$'000	4 years or less but > 3 years HK\$'000	5 years or less but >4 years HK\$'000	> 5 years HK\$'000	
Insurance contract liabilities related to unit-linked contracts	-	-	-	-	-	806,588	806,588
Investment contract liabilities related to unit-linked contracts	-	-	-	-	-	-	-
Derivative financial instruments	582	332	311	272	(195)	-	1,302
Interest-bearing liabilities	809,092	2,100,780	73,064	57,578	-	-	3,040,514
Payables to policyholders	1,668,464	-	-	-	-	42,327	1,710,791
Accrued expenses and other creditors	1,488,272	114,677	106,789	118,852	53,593	81,005	1,996,313
	3,966,410	2,215,789	180,164	176,702	53,398	11,018,806	17,692,274
							17,464,787

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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 related to non-unit-linked contracts. The Group has to meet daily calls on its cash resources, notably from claims arising on its insurance and investment contracts related to non-unit-linked 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 2022

	1 year or less HK\$'000	2 years or less but >1 year HK\$'000	3 years or less but >2 years HK\$'000	4 years or less but > 3 years HK\$'000	5 years or less but >4 years HK\$'000	> 5 years HK\$'000	Total HK\$'000
Insurance contract liabilities related to non-unit-linked contracts	281,636	(738,076)	(205,693)	503,552	606,095	41,566,757	42,014,271
Policyholders' dividend and bonuses	3,982,172	-	-	-	-	-	3,982,172
Investment contract liabilities related to non-unit-linked contracts	-	-	-	-	-	5,255	5,255
	<u>4,263,808</u>	<u>(738,076)</u>	<u>(205,693)</u>	<u>503,552</u>	<u>606,095</u>	<u>41,572,012</u>	<u>46,001,698</u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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 related to non-unit-linked contracts. The Group has to meet daily calls on its cash resources, notably from claims arising on its insurance and investment contracts related to non-unit-linked 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. (continued)

At 30 June 2021

	1 year or less HK\$'000	2 years or less but >1 year HK\$'000	3 years or less but >2 years HK\$'000	4 years or less but > 3 years HK\$'000	5 years or less but >4 years HK\$'000	> 5 years HK\$'000	Total HK\$'000
Insurance contract liabilities related to non-unit-linked contracts	333,023	(1,291,289)	(692,518)	(135,575)	344,539	38,252,413	36,810,593
Policyholders' dividend and bonuses	3,661,032	-	-	-	-	-	3,661,032
Investment contract liabilities related to non-unit-linked contracts	-	-	-	-	-	5,148	5,148
	<u>3,994,055</u>	<u>(1,291,289)</u>	<u>(692,518)</u>	<u>(135,575)</u>	<u>344,539</u>	<u>38,257,561</u>	<u>40,476,773</u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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 30 June 2022, the Group had 0.09% of its investments and cash and cash equivalents denominated in foreign currencies, other than the United States dollar (30 June 2021: 0.13%). 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 financial instruments which will fluctuate because of changes in market interest rates.

The Group's Asset and Liability Management 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 financial liabilities.

The following table shows the sensitivity of financial instruments of bonds and forward starting swap which has the greatest exposure to the Group's interest rate risk.

Change in interest rate	(Decrease)/ increase in net assets HK\$'000	(Decrease)/ increase in other comprehensive income HK\$'000	(Decrease)/ increase in equity HK\$'000
30 June 2022			
+50 basis points	(2,498,984)	(2,498,984)	(2,498,984)
-50 basis points	2,498,984	2,498,984	2,498,984
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

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 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 Investment Management 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 HK\$'000	Increase/ (decrease) in equity HK\$'000
30 June 2022			
Market indices (Note (a))	+10%	711,543	813,639
Market indices (Note (a))	-10%	(711,543)	(813,639)
30 June 2021			
Market indices (Note (a))	+10%	767,176	926,721
Market indices (Note (a))	-10%	(767,176)	(926,721)

Note (a): Assume the movement of underlying investment portfolios that result from the changes in market prices are in line with the market indices movement.

The above table does not incorporate the overlay approach adjustments. The impact of overlay approach adjustments on profit or loss would be increased/(decreased) approximately of HK\$748,992,000 by changing in 10% (for the eighteen months ended 30 June 2021: HK\$728,263,000).

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29 Insurance and financial risk management objectives and policies (Continued)

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

As at 30 June 2022, the Group designated the following list of equities at FVOCI (non-recycling):

	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
(1) a listed Hong Kong based investment holding company principally engaged in investment in listed and unlisted enterprises	-	220,400
(2) a listed Chinese bank headquartered in Zhejiang, the People's Republic of China ("PRC")	969,854	1,187,911
(3) a listed Chinese provincial city commercial bank headquartered in Nanchang, Jiangxi Province, the PRC	51,111	187,138
	<u>1,020,965</u>	<u>1,595,449</u>

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 2022, the fair value of the strategic assets amounted to HK\$1,020,965,000 (As at 30 June 2021: HK\$1,595,449,000). Dividend income from the strategic assets amounted to HK\$51,326,000 (For the eighteen months ended 30 June 2021: HK\$86,124,000) during the year, of which HK\$NIL (For the eighteen months ended 30 June 2021: HK\$9,673,000) was earned from investments derecognised during the year and the remaining HK\$51,326,000 (For the eighteen months ended 30 June 2021: HK\$76,451,000) was earned from the investments held as at the reporting date.

Disposal gain of strategic assets amounted to HK\$110,020,000 (For the eighteen months ended 30 June 2021: Disposal loss HK\$29,035,000) during the year. Strategic assets 1 to 3 listed above were partially disposed for stop-loss and rebalancing/de-risk purposes.

The fair value of these disposed strategic assets during the year was HK\$1,221,609,000 (For the eighteen months ended 30 June 2021: HK\$163,511,000).

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 Derivative financial instruments

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Assets		
Cross currency swap agreements, at fair value	791	16,296
Forward starting swap agreements, at fair value	63,684	634,855
	<u>64,475</u>	<u>651,151</u>
Put option, at fair value	-	801,769
	<u>64,475</u>	<u>1,452,920</u>
Liabilities		
Cross currency swap agreements, at fair value	(13,705)	(796)

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\$116 million (As at 30 June 2021: US\$151 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 -HK\$2,149,000 as at 30 June 2022 (As at 30 June 2021: HK\$16,197,000).

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 2022, the total notional amount was US\$100 million (As at 30 June 2021: US\$295 million). The cash flow hedge was assessed to be highly effective and the hedging reserve amounted to HK\$63,684,000 as at 30 June 2022 (As at 30 June 2021: HK\$634,855,000).

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 Derivative financial instruments (Continued)

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

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.

As at 30 June 2022, the Group received HK\$46,737,000 cash and bank balance from counterparties as collateral which are repayable on demand (As at 30 June 2021: HK\$640,836,000). 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 year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Net movement in hedging reserve recognised in other comprehensive income	(1,092,431)	156,089

The derivative financial instruments are subject to an enforceable master netting arrangement and the gross amount is reported in the consolidated statement of financial position.

The following table presents the derivative financial instruments that are subject to enforceable master netting arrangements and the gross amount is reported in the consolidated statement of financial position.

	Group and Company	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Gross amount presented in the consolidated statement of financial position		
Assets		
Derivative financial instruments	64,475	651,152
Accrued interest receivable included in prepayments, deposits and other debtors	10,347	13,614
	<u>74,822</u>	<u>664,766</u>

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 Derivative financial instruments (Continued)

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Liabilities		
Derivative financial instruments	(13,705)	(796)
Accrued interest payable included in accrued expenses and other creditors	(10,195)	(13,437)
	<u>(23,900)</u>	<u>(14,233)</u>
	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Net amounts		
Assets		
Derivative financial instruments	60,199	650,356
Accrued interest receivable included in prepayments, Deposits and other debtors	173	242
	<u>60,372</u>	<u>650,598</u>
Liabilities		
Derivative financial instruments	(9,429)	-
Accrued interest payable included in accrued expenses and other creditors	(21)	(65)
	<u>(9,450)</u>	<u>(65)</u>

Put option - hedges for market risks associated with certain equity

As at 30 June 2021, the Company held 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 specific transaction period. As at 30 June 2021, the fair value of the put option amounted to approximately HK\$802 million.

On 11 October 2021, the Company entered into a supplemental agreement with the relevant parties to amend the settlement terms of the put option. On 30 November 2021, the transaction was completed and the Company received a cash settlement of approximately HK\$1,119 million. Upon the completion of the transaction, the equity investment held by the Company were transferred and the put option was derecognised. As a result, total net FVOCI reserve (non-recycling) amounted to approximately HK\$146 million was transferred to retained profits in the consolidated statement of changes in equity and Company's reserve (note 41(b)) during the year ended 30 June 2022.

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NOTES TO THE FINANCIAL STATEMENTS

31 Payables to policyholders

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Claims payable (note 32)	352,263	274,213
Premium deposits (note 33)	1,232,625	1,262,578
Other payables	191,654	174,000
	<u>1,776,542</u>	<u>1,710,791</u>

The directors consider that the carrying amounts of payables to policyholders reasonably approximate to their fair values at year/period end.

32 Claims payable

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Life and annuity	329,666	258,369
Linked long term	22,597	15,844
	<u>352,263</u>	<u>274,213</u>

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	For the
	year	eighteen
	ended	months
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
At 1 July/1 January	274,213	241,287
Provided during the year/period	1,195,859	1,502,913
Utilised during the year/period	(1,119,668)	(1,469,643)
Exchange realignment	1,859	(344)
	<u>352,263</u>	<u>274,213</u>

Claims incurred but not reported amounted to HK\$53,235,000 as at 30 June 2022 (As at 30 June 2021: HK\$38,566,000), which are included in claims payable.

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

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33 Premium deposits

Premium deposits are amounts that policyholders left 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 year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
At 1 July/1 January	1,262,578	1,107,450
Received during the year/period	14,665,203	16,901,156
Utilised during the year/period	(14,707,462)	(16,742,680)
Exchange realignment	12,306	(3,348)
At 30 June	<u>1,232,625</u>	<u>1,262,578</u>

34 Accrued expenses and other creditors

	Group	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Commission payable	245,989	269,429
Reinsurance payable (Note)	87,706	49,107
Lease liabilities (note 35)	402,318	500,051
Other payables and accruals	361,971	1,131,484
	<u>1,097,984</u>	<u>1,950,071</u>

	Company	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Commission payable	245,989	269,429
Reinsurance payable (Note)	87,706	49,107
Lease liabilities (note 35)	402,318	500,051
Other payables and accruals	346,972	1,116,454
	<u>1,082,985</u>	<u>1,935,041</u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Accrued expenses and other creditors (Continued)

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

	Group	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Payable within one year	751,390	1,503,563
Payable after one year	346,594	446,508
	<u>1,097,984</u>	<u>1,950,071</u>

	Company	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Payable within one year	736,391	1,488,533
Payable after one year	346,594	446,508
	<u>1,082,985</u>	<u>1,935,041</u>

The director consider that the carrying amounts of accrued expenses and other creditors approximate to their fair values at year/period end. Accrued expenses and other creditors are non-interest bearing.

- (i) Reinsurance premium and commission are offset and the net amount is reported in the consolidated statement of financial position 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 2022 HK\$'000	At 30 June 2021 HK\$'000
Gross amount presented in the consolidated statement of financial position		
Assets		
Prepayments, deposits and other debtors		
- Reinsurance receivable	64,007	67,322
Liabilities		
Accrued expenses and other creditors		
- Reinsurance payable	151,713	116,429

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

34 Accrued expenses and other creditors (Continued)

	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Net amounts presented in the consolidated statement of financial position		
Liabilities		
Accrued expenses and other creditors		
- Reinsurance payable	87,706	49,107

35 Lease liabilities

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

	At 30 June 2022		At 30 June 2021	
	Present value of the lease payments HK\$'000	Total lease payments HK\$'000	Present value of the lease payments HK\$'000	Total lease payments HK\$'000
Within 1 year	100,757	113,866	102,298	117,809
After 1 year but within 2 years	100,578	109,943	98,041	110,105
After 2 year but within 3 years	93,558	99,144	97,332	106,183
After 3 year but within 4 years	50,479	53,593	94,955	100,544
After 4 year but within 5 years	52,480	53,593	50,479	53,593
After 5 years	4,466	4,466	56,946	58,057
	<u>402,318</u>	<u>434,605</u>	<u>500,051</u>	<u>546,291</u>
Less: total future interest expenses	-	(32,287)	-	(46,240)
Present value of lease liabilities	<u>402,318</u>	<u>402,318</u>	<u>500,051</u>	<u>500,051</u>
Weighted average effective interest rate %	<u>3.80%</u>		<u>3.43%</u>	

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

36 Interest-bearing liabilities

	Group	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
4.125% notes due 2023 (note (i))	1,958,995	1,935,456
Financing received under a financial reinsurance arrangement (note (ii))	235,282	283,483
Cash collateral received for cross currency swap agreements and forward starting swap agreements (note 30)	46,737	640,836
	<u>2,241,014</u>	<u>2,859,775</u>
	Company	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Financing received under a financial reinsurance arrangement (note (ii))	235,282	283,483
Cash collateral received for cross currency swap agreements and forward starting swap agreements (note 30)	46,737	640,836
	<u>282,019</u>	<u>924,319</u>

Notes:

- (i) On 25 April 2013, FTL Capital Limited issued an aggregate principal amount of US\$250 million (approximately HK\$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 HK\$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 shall be 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 HK\$1,958,995,000 as at 30 June 2022 (As at 30 June 2021: HK\$1,935,456,000).

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Interest-bearing liabilities (Continued)

Notes: (Continued)

(i) (Continued)

At 30 June 2022, the fair value of the Bonds II was approximately HK\$1,959,822,000 (As at 30 June 2021: HK\$2,019,992,000).

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 2022, the fair value of Bonds II is categorised as Level 2 as at 30 June 2022 (As at 30 June 2021: 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 under the financial reinsurance arrangement is stated as below:

	Group and Company	
	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Repayable within one year	100,198	86,717
Repayable after one year	135,084	196,766
	<u>235,282</u>	<u>283,483</u>

37 Insurance contract liabilities related to non-unit-linked contracts

Insurance contract liabilities related to non-unit-linked contracts 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 2022 as this is considered to have been earned in 2021. The dividend policy is at the discretion of the Company's board. During the year ended 30 June 2022, the Group incurred total annual dividends of HK\$192.4 million (For the eighteen months ended 30 June 2021: HK\$268.8 million).

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NOTES TO THE FINANCIAL STATEMENTS

37 Insurance contract liabilities related to non-unit-linked contracts (Continued)

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Liabilities for guaranteed benefits	41,712,653	36,516,883
Liabilities for coinsurance payments	231,473	224,343
Provision for annual dividends	70,145	69,367
Gross insurance contract liabilities related to non-unit-linked contracts (note 29(d))	42,014,271	36,810,593
Policyholders' dividends and bonuses (note 38)	3,982,172	3,661,032
Gross insurance contract liabilities related to non-unit-linked contracts including policyholders' dividends and bonuses	45,996,443	40,471,625

Insurance contract liabilities related to non-unit-linked contracts, net of the unexpired reinsurance risk, are as below:

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Insurance contract liabilities related to non-unit-linked contracts (note 29(d))	41,782,798	36,586,250
Coinsurers' share of insurance contract liabilities (note 29(d))	231,473	224,343
Gross insurance contract liabilities related to non-unit-linked contracts (note 29(d))	42,014,271	36,810,593
Reinsurers' share of insurance contract liabilities (note 27 and note 29(d))	(1,685)	(1,649)
Insurance contract liabilities related to non-unit-linked contracts, net of reinsurers' share (note 29(d))	42,012,586	36,808,944

The maturity profile of insurance contract liabilities related to non-unit-linked contracts including policyholders' dividends and bonuses is stated as below:

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Payable within one year	4,263,808	3,994,055
Payable after one year	41,732,635	36,477,570
	45,996,443	40,471,625

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37 Insurance contract liabilities related to non-unit-linked contracts (Continued)

Movements in insurance contract liabilities related to non-unit-linked contracts are as follows:

Group and Company

	For the year ended 30 June 2022				For the eighteen months ended 30 June 2021			
	Insurance contract liabilities related to non-unit-linked contracts HK\$'000	Coinsurance liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net liabilities HK\$'000	Insurance contract liabilities related to non-unit-linked contracts HK\$'000	Coinsurance liabilities HK\$'000	Reinsurers' share of liabilities HK\$'000	Net liabilities HK\$'000
At 1 July/1 January	36,586,250	224,343	(1,649)	36,808,944	26,761,074	219,369	(56,106)	26,924,337
Premiums received	6,836,565	(50,267)	(312,303)	6,473,995	10,789,076	(53,078)	(446,627)	10,289,371
Liabilities incurred for death, surrender and maturity	(2,506,710)	29,059	341,766	(2,135,885)	(3,158,911)	39,698	338,836	(2,780,377)
Benefit and claim experience variations	(464,381)	6,374	(29,499)	(487,506)	(137,958)	(11,052)	163,151	14,141
Investment income variations	(805,219)	8,314	-	(796,905)	(655,752)	11,573	-	(644,179)
Investment income	1,937,456	-	-	1,937,456	2,162,102	-	(738)	2,161,364
Financing cost for coinsurance	-	13,650	-	13,650	-	17,833	-	17,833
Adjustment due to change in reserve assumptions	(137,471)	-	-	(137,471)	895,924	-	-	895,924
Exchange realignment	336,308	-	-	336,308	(69,305)	-	(165)	(69,470)
As at 30 June	41,782,798	231,473	(1,685)	42,012,586	36,586,250	224,343	(1,649)	36,808,944

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38 Policyholders' dividends and bonuses

	Group and Company	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
At 1 July/1 January	3,661,032	3,238,517
Provided during the year/period	555,517	833,021
Utilised during the year/period	(261,292)	(403,932)
Exchange realignment	26,915	(6,574)
At 30 June	<u>3,982,172</u>	<u>3,661,032</u>

39 Investment contract liabilities related to non-unit-linked contracts

	Group and Company	
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
At 1 July/1 January	5,148	5,166
Withdrawals	(32)	(334)
Interest, bonus credited and fair value movement	139	316
At 30 June	<u>5,255</u>	<u>5,148</u>

The above amounts are repayable after the next twelve months.

40 Share capital

	At 30 June 2022 US\$'000	At 30 June 2021 US\$'000
Authorised share capital	<u>700,000</u>	<u>700,000</u>

FTLIFE INSURANCE COMPANY LIMITED
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40 Share capital (Continued)

	At 30 June 2022 HK\$'000	At 30 June 2021 HK\$'000
Issued and fully paid:		
506,100,141 (At 30 June 2021: 506,100,141) ordinary shares of US\$1 each	3,938,134	3,938,134
9,000,000 (At 30 June 2021: 9,000,000) Class A redeemable preference shares of US\$1 each (note (i))	69,955	69,955
10,000,000 (At 30 June 2021: 10,000,000) Class C redeemable preference shares of US\$1 each (note (ii))	77,611	77,611
	<u>4,085,700</u>	<u>4,085,700</u>

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.
- (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.

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

40 Share capital (Continued)

Notes: (Continued)

- (ii) The Class C redeemable preference shares contain the following terms:
(Continued)
- (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.
- (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 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 pages 14 and 15 of the consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

41 Reserves (Continued)

(b) Company

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI reserve (recycling) HK\$'000	FVOCI reserve non- recycling) HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 31 December 2019 and 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 the period:										
Profit for the period	-	-	-	-	-	-	-	-	1,992,134	1,992,134
Other comprehensive income for the period	-	-	-	-	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 period	-	-	-	-	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

FTLIFE INSURANCE COMPANY LIMITED

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41 Reserves (Continued)

(b) Company (Continued)

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Shadow accounting adjustment HK\$'000	FVOCI reserve (recycling) HK\$'000	FVOCI reserve non- recycling) HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 30 June 2021 and 1 July 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
Changes in equity for the year:										
Profit for the year	-	-	-	-	-	-	-	-	1,093,230	1,093,230
Other comprehensive income for the year	-	-	-	-	(1,092,431)	3,611,364	(12,508,328)	346,409	-	(9,642,986)
Transfer upon disposal of equities at FVOCI (non- recycling)	-	-	-	-	-	-	-	190,696	(190,696)	-
Total comprehensive income for the year	-	-	-	-	(1,092,431)	3,611,364	(12,508,328)	537,105	902,534	(8,549,756)
Balance as at 30 June 2022	4,085,700	1,862,664	1,294,135	20,615	61,535	2,435,545	(6,470,452)	(603,078)	9,236,392	11,923,056

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NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments

(a) Financial instruments by category

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

At 30 June 2022

	Group			
	At fair value through profit or loss HK\$'000	At fair value through comprehensive income HK\$'000	At amortised costs HK\$'000	Total HK\$'000
<i>Financial assets</i>				
Policy loans	-	-	543,428	543,428
Loans to agents	-	-	99,645	99,645
Debt securities	42,375	39,530,049	-	39,572,424
Equities	4,231,776	1,020,965	-	5,252,741
Interests in investment funds	3,888,402	-	-	3,888,402
Investments related to unit-linked contracts	8,621,877	-	27,284	8,649,161
Derivative financial instruments	64,475	-	-	64,475
Deposits and other debtors	-	-	413,916	413,916
Cash and cash equivalents	-	-	5,591,137	5,591,137
At 30 June 2022	16,848,905	40,551,014	6,675,410	64,075,329
<i>Financial liabilities</i>				
Investment contract liabilities related to non-unit-linked contracts	5,255	-	-	5,255
Investment contract liabilities related to unit-linked contracts	8,155,056	-	-	8,155,056
Derivative financial instruments	13,705	-	-	13,705
Interest-bearing liabilities	-	-	2,241,014	2,241,014
Accrued expenses and other creditors	-	-	1,097,984	1,097,984
At 30 June 2022	8,174,016	-	3,338,998	11,513,014

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NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

(a) Financial instruments by category (Continued)

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows: (Continued)

At 30 June 2022 (Continued)

	Company			
	At fair value through profit or loss HK\$'000	At fair value through comprehensive income HK\$'000	At amortised costs HK\$'000	Total HK\$'000
<i>Financial assets</i>				
Policy loans	-	-	543,428	543,428
Loans to agents	-	-	99,645	99,645
Debt securities	42,375	39,530,049	-	39,572,424
Equities	4,231,776	1,020,965	-	5,252,741
Interests in investment funds	3,888,402	-	-	3,888,402
Investments related to unit-linked contracts	8,621,877	-	27,284	8,649,161
Derivative financial instruments	64,475	-	-	64,475
Deposits and other debtors	-	-	413,916	413,916
Cash and cash equivalents	-	-	5,576,531	5,576,531
At 30 June 2022	16,848,905	40,551,014	6,660,804	64,060,723
<i>Financial liabilities</i>				
Investment contract liabilities related to non-unit-linked contracts	5,255	-	-	5,255
Investment contract liabilities related to unit-linked contracts	8,155,056	-	-	8,155,056
Derivative financial instruments	13,705	-	-	13,705
Amount due to a subsidiary	-	-	1,952,564	1,952,564
Interest-bearing liabilities	-	-	282,019	282,019
Accrued expenses and other creditors	-	-	1,082,985	1,082,985
At 30 June 2022	8,174,016	-	3,317,568	11,491,584

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

(a) Financial instruments by category (Continued)

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows: (Continued)

At 30 June 2021

	Group			
	At fair value through profit or loss HK\$'000	At fair value through comprehensive income HK\$'000	At amortised costs HK\$'000	Total HK\$'000
<i>Financial assets</i>				
Policy loans	-	-	506,350	506,350
Loans to agents	-	-	65,630	65,630
Debt securities	-	42,257,517	-	42,257,517
Equities	1,823,229	1,595,449	-	3,418,678
Interests in investment funds	7,213,661	-	-	7,213,661
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	-	-	974,797	974,797
Cash and cash equivalents	-	-	4,497,232	4,497,232
At 30 June 2021	21,206,936	43,852,966	6,097,077	71,156,979
<i>Financial liabilities</i>				
Investment contract liabilities related to non-unit-linked contracts	5,148	-	-	5,148
Investment contract liabilities related to unit-linked contracts	10,136,766	-	-	10,136,766
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	10,142,710	-	4,809,846	14,952,556

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

(a) Financial instruments by category (Continued)

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows: (Continued)

At 30 June 2021 (Continued)

	Company			
	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at amortised costs HK\$'000	Total HK\$'000
<i>Financial assets</i>				
Policy loans	-	-	506,350	506,350
Loans to agents	-	-	65,630	65,630
Debt securities	-	42,257,517	-	42,257,517
Equities	1,823,229	1,595,449	-	3,418,678
Interests in investment funds	7,213,661	-	-	7,213,661
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	-	-	974,407	974,407
Cash and cash equivalents	-	-	4,485,683	4,485,683
At 30 June 2021	<u>21,206,936</u>	<u>43,852,966</u>	<u>6,085,138</u>	<u>71,145,040</u>
<i>Financial liabilities</i>				
Investment contract liabilities related to non-unit-linked contracts	5,148	-	-	5,148
Investment contract liabilities related to unit-linked contracts	10,136,766	-	-	10,136,766
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	<u>10,142,710</u>	<u>-</u>	<u>4,791,293</u>	<u>14,934,003</u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

(b) Financial instruments measured at fair value

Fair value hierarchy

The following table presents the Group's financial instruments that are measured at fair value at the reporting date, 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	Level 1	Level 2	Level 3
At 30 June 2022	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Assets</i>				
Debt securities	39,572,424	29,934,007	9,596,042	42,375
Equities	5,252,741	2,796,971	-	2,455,770
Interests in investment funds	3,888,402	3,888,402	-	-
Investments related to unit-linked contracts	8,621,877	8,621,877	-	-
Derivative financial instruments:				
- Cross currency swap agreements	791	-	791	-
- Forward starting swap agreements	63,684	-	63,684	-
At 30 June 2022	57,399,919	45,241,257	9,660,517	2,498,145

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

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

Fair value hierarchy (Continued)

	Group and Company			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Liabilities</i>				
Investment contract liabilities related to non-unit-linked contracts	5,255	-	5,255	-
Investment contract liabilities related to unit-linked contracts	8,155,056	-	8,155,056	-
Derivative financial instruments:				
- Cross currency swap agreements	13,705	-	13,705	-
At 30 June 2022	8,174,016	-	8,174,016	-

	Group and Company			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
At 30 June 2021				
Assets				
Debt securities	42,257,517	29,252,830	13,004,687	-
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	65,059,902	49,471,515	13,655,838	1,932,549

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

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

Fair value hierarchy (Continued)

	Group and Company			
	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<i>Liabilities</i>				
Investment contract liabilities related to non-unit-linked contracts	5,148	-	5,148	-
Investment contract liabilities related to unit-linked contracts	10,136,766	-	10,136,766	-
Derivative financial instruments:				
- Cross currency swap agreements	796	-	796	-
At 30 June 2021	10,142,710	-	10,142,710	-

As at 30 June 2022, bonds with market value approximately of HK\$2,764,991,000 (As at 30 June 2021: HK\$914,744,000) and approximately of HK\$3,192,572,000 (As at 30 June 2021: HK\$37,740,000) included in 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 during the year/period end. 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 reporting 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 reporting date, with potential adjustment made for various collateralisation agreement.

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 reporting date, they are classified as Level 2. There is no change in valuation approach for the Level 2 financial instruments.

FTLIFE INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

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

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 2022		
	Valuation technique	Significant unobservable inputs	Change in variables	Increase/ (decrease) in profit or loss HK\$'000	Increase/ (decrease) in equity HK\$'000
Financial assets (FVPL):					
- Unlisted equities	Adjusted net asset value	Discount for lack of marketability/ restricted redemptions	+10%	245,577	245,577
			-10%	(245,577)	(245,577)
- Debt instruments	Income Approach	Discount for rental income cash flows	+10%	4,237	4,237
			-10%	(4,237)	(4,237)
			30 June 2021		
	Valuation technique	Significant unobservable inputs	Change in variables	Increase/ (decrease) in profit or loss HK\$'000	Increase/ (decrease) in equity HK\$'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

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

42 Financial instruments (Continued)

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

Information about Level 3 fair value measurements (Continued)

(ii) Put option

As at 30 June 2021, 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/period in the balance of Level 3 fair value measurements is as follows:

	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Financial assets - Unlisted equities (FVPL)		
At 1 July/1 January	1,130,780	499,179
Purchases	1,297,020	693,551
Sales	(133,146)	(153,111)
Total realised and unrealised gains recognised in profit or loss during the year/period	161,116	91,161
At 30 June	<u>2,455,770</u>	<u>1,130,780</u>
Total gains or losses for the year included in the profit or loss for assets held at the reporting date	<u>73,566</u>	<u>84,302</u>
	For the year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Derivative financial instrument - Put option		
At 1 July/1 January	801,769	298,854
De-recognition	(906,915)	-
Total realised and unrealised gain recognised in other comprehensive income during the year/period	105,146	502,915
At 30 June	<u>-</u>	<u>801,769</u>

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

43 Contingent liabilities

As at 30 June 2022, 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 (As at 30 June 2021: HK\$Nil).

44 Lease arrangements

(a) As lessor

The Group leases one commercial investment properties (note 17) that purchased in May 2022 under operating lease arrangements. Rental income recognised by the Group during the year was HK\$1,756,000 (For the eighteen months ended 30 June 2021: Nil), details of which are included in note 12 to the financial statements. At 30 June 2022, there is no undiscounted lease payments receivable by the Group in future periods under noncancellable operating leases with its tenants.

The Group's tenant, The Dragon Seed Company, Limited, is a fellow subsidiary of the Company is obliged to pay a termination value for any early termination based on the actual termination date. Lease benefits guarantee of HK\$42,375,000 as at reporting date was recognised as an unlisted debt instruments.

(b) As lessee

The 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(u), and the details regarding the Group's future lease payments are disclosed in note 35.

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 reporting date:

	Group and Company	
	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
Authorised but not contracted for		
- an ongoing projects	-	900
Contracted, but not provided for, in respect of		
- several ongoing projects	6,159	620,450
- capital contribution of investment funds	936,796	413,446
	942,955	1,033,896

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

46 Material related party transactions

- (a) Details of the material transactions during the year ended 30 June 2022 and for the eighteen months ended 30 June 2021 and outstanding balances as at 30 June 2022 and 2021 with companies related to the Group and the Company were as follows:

		Group	
	Note	2022 HK\$'000	2021 HK\$'000
NWD Group:			
Interest income from bonds	(i)	121,250	110,056
Dividend income from Shoucheng Holdings	(ii)	32,910	34,470
Group life insurance premium income	(iii)	4,270	5,332
Rental income from investment properties	(iv)	1,756	-
Purchase of investment properties	(iv)	705,679	-
Bonds acquired - NWD MTN Ltd.	(i)	2,500,000	2,500,000
Equity acquired - Shoucheng Holdings	(ii)	450,000	450,000
Other expenses	(v)	8,572	15,838
CTF Group:			
Group life insurance premium income	(vi)	2,524	-
Other expenses	(vii)	1,129	1,292

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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)

		Company	
	Note	2022 HK\$'000	2021 HK\$'000
NWD Group:			
Interest income from bonds	(i)	121,250	110,056
Dividend income from Shoucheng Holdings	(ii)	32,910	34,470
Group life insurance premium income	(iii)	4,270	5,332
Rental income from investment properties	(iv)	1,756	-
Purchase of investment properties	(iv)	705,679	-
Bonds acquired - NWD MTN Ltd.	(i)	2,500,000	2,500,000
Equity acquired - Shoucheng Holdings	(ii)	450,000	450,000
Other expenses	(v)	8,572	15,838
CTF Group:			
Group life insurance premium income	(vi)	2,524	-
Other Expenses	(vii)	1,129	1,292
FTL Capital Limited:			
Loan due to FTL Capital Limited	(viii)	1,976,963	1,956,126
Interest expense to FTL Capital Limited	(ix)	83,381	124,212

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 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\$121,250,000 was derived from the bond during the year (For the eighteen months ended 30 June 2021: HK\$110,056,000).

As at 30 June 2022, its fair value amounted to HK\$1,946,766,000 (At 30 June 2021: HK\$1,501,725,000).
- (ii) The Company subscribed for listed equity shares issued by Shoucheng Holdings for HK\$450,000,000. Shoucheng Holdings is an associated company of NWS Holdings Limited. Dividend income of HK\$32,910,000 was derived from the equity shares during the year ended 30 June 2022 (For the eighteen months ended 30 June 2021: HK\$34,470,000).
- (iii) The Company sold group life insurance products to the companies of NWD.
- (iv) The Company has completed purchase of two commercial investment properties which located in 19th and 20th Floor, NCB Innovation Centre, No. 888 Lai Chi Kok Road, Kowloon at HK\$678,679,000 at arms' length from Good Sense Development Limited on 31 May 2022. The office building is purchased for long-term rental generating purpose.

On 22 June 2022, the Company has completed purchase 18 car parks at NCB Innovation Centre, No. 888 Lai Chi Kok Road, Kowloon at HK\$27,000,000 from Good Sense Development Limited.

On 7 September 2022, the Company signed a tenancy agreement for the two commercial investment properties with The Dragon Seed Company Limited for 6 years for the two office with an annual rent of HK\$21,070,000 at arms' length which effective from 31 May 2022.
- (v) The Company mainly purchased goods from and obtained convention and exhibition facilities provided by the fellow subsidiaries within NWD Group.
- (vi) The Company sold group life insurance products to the fellow subsidiaries within Chow Tai Fook (CTF) Group.
- (vii) The Company mainly purchased goods from the fellow subsidiaries within Chow Tai Fook (CTF) Group.
- (viii) 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 4.215% per annum and repayable on 25 April 2023.
- (ix) Interest is payable semi-annually in arrears on 25 April and 25 October in each year. As at 30 June 2022, the interest accrued amounted to HK\$15,388,000 (At 30 June 2021: HK\$15,226,000).

FTLIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

46 Material related party transactions (Continued)

- (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 24 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 year ended 30 June 2022 HK\$'000	For the eighteen months ended 30 June 2021 HK\$'000
Short term employee benefits	56,757	74,796
Post-employment benefits	3,257	3,787
	<hr/>	<hr/>
Total compensation paid to key management personnel	60,014	78,583
	<hr/>	<hr/>

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 21 and 25), 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 29(g)(iii)). 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 21 and 25).

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 2022, the outstanding capital commitment to invest in these Partnerships amounted to US\$119,393,000 which equivalent to approximately HK\$936,793,000 for eight partnerships (As at 30 June 2021: US\$53,254,000 which equivalent to approximately HK\$413,447,000 for four partnerships) confirmed as at that date. The maximum exposure to loss is the carrying amount of these investments (see note 42(b)).