

**Chow Tai Fook Life Insurance
Company Limited
(Formerly known as “FTLife Insurance
Company Limited”)**

Financial Condition Report

For the year ended 30th June 2024

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1 Business and Performance

1.1 Insurer

1.1.1 Name of Insurer

Chow Tai Fook Life Insurance Company Limited (Formerly known as “FTLife Insurance Company Limited”) (“CTF Life” or the “Company”)

1.1.2 Company Background Information

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 is licensed by the Bermuda Monetary Authority (“BMA” or “Authority”) as a Class E insurer and its principal place of business is in Hong Kong.

The Company offers a range of products and services including life insurance, accident, medical and disability insurance and savings plans to meet the long-term savings and protection needs of individuals.

CTF Life maintained a strong capital position and the table below shows the current ratings of the Company by leading credit rating agencies as at end of June 2024:

Rating agency	Financial strength rating	Issuer credit rating	Rating current as at
Moody's	A3 / Stable	NA	30 June 2024
FitchRating	A- / Stable	BBB+	30 June 2024

1.2 Supervisors

Insurance Supervisor

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton, HM12

Insurance Supervisor

Insurance Authority
19/F, 41 Heung Yip Road
Wong Chuk Hang
Hong Kong

1.3 Approved Auditor

Auditor

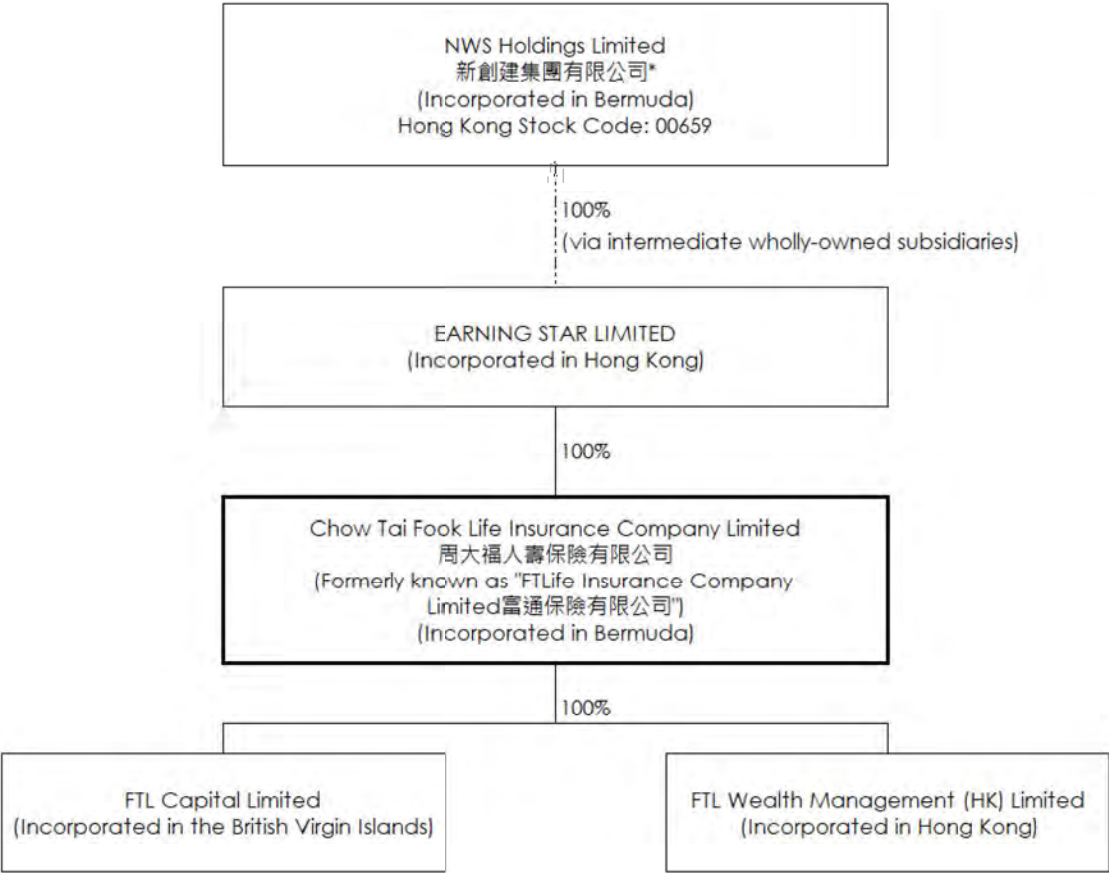
PricewaterhouseCoopers
22/F, Prince's Building
10 Chater Road, Central
Hong Kong

1.4 Ownership Details

The immediate holding company of the Company is EARNING STAR LIMITED, which is an indirect wholly-owned subsidiary of NWS Holdings Limited, a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

1.4.1.1 Group Structure

Chow Tai Fook Life Insurance Company Limited
(Formerly known as “FTLife Insurance Company Limited”)
Ownership Structure (as at 30 June 2024)



* For identification purposes only

1.5 Insurance Business Written by Business Segment and by Geographical Region

The Company's principal place of business in Hong Kong and below is the information on the insurance business written:

HKD million	Jul 2023 to Jun 2024 HKFRS Gross premium Written	Jul 2022 to Jun 2023 HKFRS Gross premium Written
Mortality	10,619	17,992
Critical Illness	1,660	1,681
Deferred Annuities	275	226
Disability Income	81	84
Group Life	15	10
Rider	855	806
Long-term business	13,504	20,799

1.6 Performance of Investments & Material Income & Expenses for the Reporting Period

1.6.1 Performance of Investments for the reporting period:

- The policyholder and shareholder investment assets (excluding unit-linked assets) at 30 June 2024 are as follows:

HKD 'million	Jun 2024	%
Fixed-income investment	56,282	73%
Equity investment	9,862	13%
Private fund investment	3,638	5%
Other investment	7,035	9%
Policyholder and shareholder investment assets (excluding unit-linked assets)	76,817	100%

- 99% of the directly held fixed income assets are rated as investment grade under external or internal rating at 30 June 2024. While investment in fixed income is generally under the consideration of asset and liability matching, it is also constrained by factors such as availability, concentration risks, their respective sovereign rating and market demand.
- The equity portfolio is mostly held in participating funds to provide for discretionary bonus and dividend payments to participating policyholders.
- The return on investments for the reporting period are as follows:

HKD 'million	Jul 2023 to Jun 2024	Jul 2022 to Jun 2023 (Restated)
Interest income	2,822	2,198
Dividend and other investment income	391	337
Realised and unrealised capital losses on investments	(1,598)	(2,087)
Other realized and unrealized losses	(5)	(123)
Gains related to investments for unit-linked contracts	641	260

1.6.2 Material Income & Expenses for the Reporting Period

- The Company's main revenue source is premiums and fee income.

HKD million	Jul 2023 to Jun 2024	Jul 2022 to Jun 2023 (Restated)
Insurance revenue	3,247	2,697
Insurance service expenses	(2,508)	(1,928)
Net income/(expenses) from reinsurance contracts held	79	(22)
Insurance service result	818	747

- The Company's income/(expenses):

HKD million	Jul 2023 to Jun 2024	Jul 2022 to Jun 2023 (Restated)
Investment return	2,143	326
Finance income/(expenses) from insurance contracts issued	(1,455)	189
Finance income/(expenses) from reinsurance contracts held	-	(8)
Movement in investment contract liabilities	(373)	(177)
Other expenses	(21)	(122)
Other finance costs	(41)	(102)
Total portfolio	253	106

1.6.3 Any Other Material Information

- No other material information to be disclosed during this reporting period.

2 Governance Structure

The Company is committed to maintain a sound risk management in every aspect of its business and for all its stakeholders, as well as have good corporate governance practices as essential to its sustainable growth.

2.1 Board and Senior Executive

2.1.1 Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities

- The Board of Director's (the "Board") role is to exercise oversight in relation to the Company. The Board provides leadership to the Company in respect of operational issues through the Chief Executive Officer ("CEO") and other executives who are authorized to act on behalf of the Board in the operational management of the Company at the Executive Committee. Any responsibilities not so delegated by the Board to the CEO or other executives remain the responsibilities of the Board.
- The Company's corporate governance is implemented through a structure hierarchy, which includes the Board, the Audit Committee, the Risk Committee, the Investment Committee, the Remuneration & Nomination Committee, the Executive Committee and any other committees established by the Board from time to time. The Board meets on a quarterly basis, or at such other times as the Board determines to be appropriate to carry out its responsibilities. Committee reports are presented to the Board.
- The Board consists of nine directors as at 30 June 2024, including one executive director, five non-executive directors and three independent non-executive directors, and their roles and responsibilities are outlined in the Company's memorandum of association and by-laws and comply with any applicable regulatory requirements of Bermuda and Hong Kong.

2.1.2 Remuneration Policy

- The Company's Remuneration Policy is designed to attract, retain and motivate talent, reward performance, and ensure compliance with relevant regulations. Remuneration arrangements take into account the Company's business priorities and performance, market practices, the regulatory environment as well as risk management considerations.
- The Company's remuneration policy provides a fixed base salary along with performance-based bonus or incentive which varies in accordance with both the Company's and individual's performance. The Company's performance is approved by the Board's Remuneration & Nomination Committee. The Human Resource department conducts periodic industry reviews to ensure compensation is appropriate

2.1.3 Pension or Early Retirement Schemes for Members, Board and Senior Employees

The Company provides all employees with pension benefits through defined contribution pension plans according to Mandatory Provident Fund Schemes Ordinance in Hong Kong SAR.

2.1.4 Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executive Material Transactions

- There are 11 shareholder controllers of the Company, Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, Century Acquisition Limited, NWS Holdings Limited, NWS Service Management Limited (incorporated in the Cayman Islands), NWS Service Management Limited (incorporated in the British Virgin Islands), Success Idea Global Limited and EARNING STAR LIMITED.

2.2 Fitness and Proprietary Requirements

2.2.1 Fit and proper process in assessing the board and senior executive

- The Company appoints members of the Board based on the individual's expertise and work experience as well as professional judgment. Before being appointed to the Board, all candidates must undergo a rigorous recruitment and background screening. The Company has Fit & Proper Policy in place.
- Certain regulated positions e.g. a key person in a control function, must also be approved by the Hong Kong Insurance Authority.

2.2.2 Board and Senior Executive Professional Qualifications, Skills and Expertise

Below are details of the Board and Senior Executives qualifications, skills and expertise:

Dr. CHENG Kar Shun, Chairman and Non-executive Director

- Dr. Cheng is the Chairman and a Non-executive Director of the Company. Dr. Cheng is also an executive director, Chairman of the board and Chairman of the executive committee of NWS Holdings Limited ("NWS") (the intermediate holding company of the Company). He is the Chairman and an executive director of New World Development Company Limited and Chow Tai Fook Jewellery Group Limited, the Chairman and a non-executive director of FSE Lifestyle Services Limited and i-CABLE Communications Limited, all being listed public companies in Hong Kong. Dr. Cheng is also a director and the Honorary Chairman of New World China Land Limited and a director of several substantial shareholders of NWS, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited.

Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region.

Mr. IP Man Kit, Chief Executive Officer and Executive Director

- Mr. Ip joined the Company in February 2022 and is an Executive Director and Chief Executive Officer of the Company. Mr. Ip is the member of the Investment Committee of the Company.
- Mr. Ip has over 30 years' experience in life insurance industry dedicated for AIA. He had held various executives roles in information technology, operations, project management, transformation as well as health and wellness business development in Hong Kong and China. Mr. Ip was also very active in industry associations including Medical Insurance Association and Hong Kong Federation of Insurance by being the Chairman and/or member. In recent years, he was heavily involved in the medical insurance reform for the industry and also digitalization development for AIA Hong Kong. Before joining the Company, his last held position was Chief Operations Officer at AIA Hong Kong.

Mr. Ip holds a Bachelor of Arts in Commerce and Economics and Computer Science, University of Toronto, Canada.

Mr. CHENG Chi Ming Brian, Non-executive Director

- Mr. Cheng is a Non-executive Director of the Company. Mr. Cheng is the Chairman of the Investment Committee of the Company. Mr. Cheng joined NWS in January 2008 and was appointed as Executive Director of NWS in July 2009 and Co-Chief Executive Officer of NWS in January 2024. Mr. Cheng is a non-executive director of New World Development Company Limited and the Chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited, both being listed public companies in Hong Kong. Mr. Cheng is a director of PBA International Pte. Ltd. and a number of companies in Mainland China.
- Mr. Cheng is currently a member of the Fourteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets.
- Mr. Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA.

Mr. HO Gilbert Chi Hang, Non-Executive Director

- Mr. Ho is a Non-executive Director of the Company. Mr. Ho is a member of the Risk Committee and the Remuneration and Nomination Committee of the Company. Since January 2018, he has been a senior director of NWS and has been serving as executive director of NWS since July 2018. He was appointed as Chief Operating Officer in February 2022 and Co-Chief Executive Officer in January 2024. Mr. Ho was the senior investment director of New World Development Company Limited and an executive director of New World Strategic Investment Limited.
- Mr. Ho was a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Ho is an independent non-executive director of Asia Allied Infrastructure Holdings Limited and Kam Hing International Holdings Limited, and a non-executive director of Shoucheng Holdings Limited, all being listed public companies in Hong Kong. He was also a non-executive director of Wai Kee Holdings Limited (resigned on 26 June 2024) (a listed public company in Hong Kong). Mr. Ho is the Vice Chairman of the China Committee of Hong Kong General Chamber of Commerce, the Vice Chairperson of the Chamber of Hong Kong Listed Companies, the Deputy Chairman of the Greater Bay Area Committee of CPA Australia, a member of the Hong Kong Logistics Development Council, a member of the Advisory Council on Career Development of Hong Kong University of Science and Technology, and a standing committee member of the Youth Federation of Inner Mongolia. He was also a committee member of the Industry Advisory Committee of Insurance Authority from June 2020 to May 2022 and a committee member of the Chinese People's Political Consultative Conference of Shenyang from December 2007 to December 2021.
- Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

Mr. Cyril Hamilton WHITTER, Non-Executive Director

- Mr. Whitter is a Non-executive Director of the Company. Mr. Whitter received his formal training at The Bermuda College where he received a Diploma in Accountancy in 1978.

He then joined Jardine Pinehurst Management Company Limited as an accountant specializing in the management of captive insurance companies and was appointed Senior Vice President in 1991. He remained at Jardine Pinehurst until 1993 when he joined Independent Management Ltd. ("IML"). He was appointed Executive Vice President of IML in 2007 and President and Chief Executive Officer of IML in 2009. He is currently a Director of IML.

Mr. CHAN Yiu Fai, Non-Executive Director

- Mr. Chan is a Non-executive Director of the Company. Mr. Chan is the Chairman of the Risk Committee and is a member of Audit Committee of the Company. Mr. Chan is a supervisor of 深圳市新势科创有限公司 (En-Verity Limited), a fellow subsidiary of the Company.
- Mr. Chan has over 30 years' experience in life insurance industry in local and regional level, he had held various executives roles including actuarial, product strategy, pricing and development, risk, business development and healthcare transformation with various insurers including AIA, ING and Prudential Corporation Asia.
- Mr. Chan is a Fellow of Society of Actuaries, the United States and he holds a Bachelor of Science in Applied Mathematics from The University of Hong Kong.

Mr. CHAN Ka Lok, Independent Non-executive Director

- Prof. Chan Ka Lok is an Independent Non-Executive Director of the Company. He is the Chairman of the Remuneration and Nomination Committee and is a member of the Audit Committee, the Risk Committee and the Investment Committee of the Company.
- Prof. Chan is currently Dean of the College of Business and Chair Professor of Finance at City University of Hong Kong. He is active in contributing to the profession. He currently serves in a number of committees, including the Human Capital Committee of The Financial Services Development Council of Hong Kong, TraHK Supervisory Committee, Hong Kong Academy of Finance, and Council of Advisers and Applied Research of Hong Kong Institute for Monetary and Financial Research. Prof. Chan is an independent non-executive director of COSCO SHIPPING Ports Limited, a listed public company in Hong Kong. From 2014 to 2023, Prof. Chan was the Wei-Lun Professor of Finance at the Chinese University of Hong Kong ("CUHK"), serving as Dean of CUHK Business School from 2014 to 2019 and Chair of Finance Department from 2021 to 2023. Prior to that, Prof. Chan was Synergis-Geoffrey Yeh Professor of Finance at Hong Kong University of Science and Technology ("HKUST") (2008-2014), where he served as Head of Finance Department (2003-2013) and Acting Dean of HKUST Business School (2013-2014). Prof. CHAN has also served as the President of Asian Finance Association from 2008 to 2010.
- Prof. Chan obtained his Bachelor of Social Science degree in Economics from CUHK and Doctor of Philosophy degree in Finance from Ohio State University in the USA.

Mr. NG Chi Shing Bartholomew, Independent Non-executive Director

- Mr. Ng is an Independent Non-Executive Director of the Company. Mr. Ng is the Chairman of Audit Committee, a member of the Risk Committee and the Investment Committee of the Company.
- Until January 2021, Mr. Ng was a Senior Consultant of Pramerica Holdings (Hong Kong) Limited, a subsidiary of Prudential Financial, Inc (“Prudential Financial”), which is a Fortune 500 global financial services company principally engaged in insurance, funds and investment management. Mr. Ng initially joined the Prudential Financial group in 2009 as the Managing Director & General Manager of Pramerica Asia Fund Management Limited (“Pramerica”) (a subsidiary of Prudential Financial) and had overall responsibility for the management and implementation of the business strategy and direction of Prudential Financial in China. Before joining Pramerica, Mr. Ng was Country Manager for the Dutch ING Group in China. During his 20-year career with ING Group, Mr. Ng held several senior roles and was instrumental in establishing new businesses, representative offices and joint ventures in Hong Kong, China and Asia. These included ING Group’s non-life operations in Hong Kong along with ING Asia/Pacific (one of the regional executive centers of ING Group), which managed the retail operations covering insurance, asset management and retail banking in the Asia Pacific region. Prior to ING Group, Mr. Ng had served at Commercial Union Assurance Company (now known as Aviva) for over 16 years in various senior capacities in both Hong Kong and Singapore.
- Mr. Ng obtained a Bachelor of Arts (Hons) Financial Services degree from Napier University of Edinburgh in the United Kingdom and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).

Mr. LEE Yiu Kwong Alan, Independent Non-executive Director

- Mr. Lee is an Independent Non-Executive Director of the Company. He serves on the Audit Committee, Risk Committee, and the Remuneration and Nomination Committee. Since October 2012, Mr. Lee has held the position of Independent Non-executive Director at NWS.
- Previously, Mr. Lee served as the Chief Executive Officer of CSX World Terminals Hong Kong Limited and ATL Logistics Centre Hong Kong Limited. He has garnered over 40 years of experience in the shipping and logistics industry, including 15 years of international operating and management experiences in the United States, Netherlands, Malaysia, Singapore and Thailand.
- Mr. Lee also served as Chairman of the Hong Kong Container Terminal Operators Association. Additionally, he was a member of several committees: Hong Kong Business Advisory Committee, Logistics and Advisory Committee of the Hong Kong Trade Development Council, Hong Kong Port Development Council, Hong Kong Logistics Development Council, and the Hong Kong Sailors’ Home and Missions to Seamen.
- Mr. Lee is a trained accountant with over 6 years of experience at KPMG.

Mr. IP Man Kit is the senior executive of CTF Life. For qualifications, skills and expertise, please refer to the above.

2.3 Risk Management and Solvency Self-Assessment

2.3.1 Description of the risk management process and procedures to effectively identify, measure, manage and report on risk exposures

The Company implements an enterprise risk management ("ERM") framework adhering to the three lines of defense model. Control functions such as internal audit, risk management and compliance are clearly segregated from the main execution of business i.e. the first line of defense. Risk Management facilitates and monitors the implementation of effective risk management practices and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization. The objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances, to provide assurance that risk exposures are identified, assessed, managed and reported in an effective manner. While each line of defense is independent from the others, they work closely to ensure effective oversight.

The risk management process is as follows.

- **Identification.** Identifying risks on a timely basis is an essential first step to the risk management process. The Risk Management and the Compliance functions have developed systematic processes to identify existing and new risks in the Company.
- **Assessment.** Assessment of risks based on quantitative or qualitative measures is useful in establishing the level of exposure and in determining the appropriate management actions within the Company's risk appetite. Specific risk metrics are adopted to support the risk assessment process.
- **Escalation and Mitigation.** Following the risk assessment process, the First Line management are responsible for the timely identification and escalation of material risk developments and for the implementation of risk mitigation actions, as appropriate.
- **Reporting and Monitoring.** In addition to providing advice, guidance, support and challenge to the First Line, the Second Line is responsible for monitoring First Line activities and reporting to the Risk Committee the performance of the First Line against risk metrics and limits defined in the risk appetite. In addition, to ensure the effectiveness of the risk management process, an Own Risk and Solvency Assessment ("ORSA") is performed regularly to assess the Company's risk profile and the adequacy of its risk management, and regular ERM reports are presented to the Risk Committees for review.

2.3.2 A description of how the risk management and solvency self-assessment systems are implemented and integrated into the Company's operations including strategic planning and organisational and decision-making process

- The Company implements an ERM framework adhering to the three lines of defense model. Control functions such as internal audit, risk management and compliance are clearly segregated from the main execution of business i.e. the first line of defense. Risk Management facilitates and monitors the implementation of effective risk management practices and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization. The objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances, to provide assurance that risk exposures are identified, assessed, managed and reported in an effective manner. While each line of defense is independent from the others, they work closely to ensure effective oversight.

- On top of the ERM framework described above, the Company considers the impact on regulatory compliance, capital and solvency, amongst other things, in its operations, strategic planning and decision making process. The Company's risk appetite and CISSA capital takes into account all the solvency regimes to which the Company is subject, including the Bermudan solvency and capital requirements. The Bermudan solvency position is monitored against the risk appetite and the result is reported to the Financial and Insurance Risk Committee, Risk Management Committee, and to the Board via Risk Committee regularly. The solvency self-assessment results will be reported to the above committees and the Board.

2.3.3 A description of the relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

- The Company's solvency is assessed and monitored regularly by the Actuarial function. Stress testing is conducted to assess the solvency under specified stress events. Management information arising from the solvency stress testing is used to assess the capital required to support the Company's business objectives.
- The solvency position is reviewed by the Risk Committee. The Company's solvency is also assessed based on the stress scenarios specified by the Risk Management function in the calculation of Commercial Insurer's Solvency Self-Assessment capital.

2.4 Internal Controls

2.4.1 Compliance Function

- The Company's Vice President and Head of Compliance has the responsibility to monitor and report regulatory changes in the relevant jurisdictions and compliance with applicable existing laws, including regulatory reporting and public disclosure requirements. The Vice President and Head of Compliance monitors compliance with organizational compliance policies and procedures and adherence to the Company's Principles of Business Conduct. All material violations are reported to the Board and corrected accordingly.

2.4.2 Internal Control System

- The Audit Committee (AC) is delegated with the authority by the Board to provide independent oversight of the Company's financial reporting and internal control systems in particular to the risk management system and regulatory compliance, and the adequacy of the internal and external audits. The AC is provided with sufficient resources to perform its duties, including support, as necessary, from the Internal Audit Services, the external auditor, legal counsel, regulatory compliance and management, in examining all matters relating to the Company adopted accounting principles and practices, and in reviewing all material financial, operational and compliance controls.
- In addition to Internal Audit, the Company uses the services of external consultants to perform independent assessments of the internal control system. If any deficiencies or material weaknesses are found, they are documented and presented to the Board.

2.5 Internal Audit

- The Head of Internal Audit is authorised by the AC to have complete and unrestricted access to any of the Company's records, properties and personnel, and also has direct access to the Board through the AC to deliver reasonable assurance pertaining to the quality of governance, risk management and control processes. To ensure Internal Audit

remains independent, the Head of Internal Audit has a clear hierarchical position in his/her respective legal entity structure. Its employees are not authorized to perform any operational duties or approve any transactions in the organization.

2.6 Actuarial Function

- The Company's Appointed Actuary is responsible for leading the Actuarial function and providing professional, independent advice to the company on its financial condition, particularly related to its insurance liabilities.
- Key objectives of the Actuarial function are to:
 - develop and maintain appropriate methodology for valuation of the Technical Provisions, in compliance with regulatory requirements outlined by the Authority.
 - monitor the Company's actual experience and set the best estimate assumptions on a regular basis.
 - perform the valuation of the technical provisions and ensure its reasonableness with consideration of the nature, scale and complexity of the Company's business.

2.7 Outsourcing

2.7.1 Outsourcing Policy and Key Functions that have been Outsourced

- The objective of the Outsourcing Policy is to provide a set of guidelines or principles in case outsourcing of activities is considered, prepared or made operational following the requirements of local regulations.
- The policies outline the criteria for the selection of third-party service providers and the due-diligence procedures to be undertaken to monitor performance and provide oversight of such arrangements.
- The Board and management are responsible and accountable for adequate control of the business processes whether outsourced or not. Part of this control is a proper (continuous) risk assessment, adequate measures and monitoring.
- Key Functions that have been outsourced:
 - Asset management of (non-unit linked) invested assets of the Company.
 - Document printing and distribution services.

2.7.2 Description of Material Intra-Group Outsourcing

- There is no material intra-group outsourcing.

2.7.3 Other Material Information

- There is no other material information related to outsourcing.

3 Risk Profile

The Company is exposed to a variety of risks including but without limitation financial risks, insurance risks, operational risks, compliance risks and strategic risks.

3.1 Material Risks the Insurer is Exposed to During the Reporting Period

The Company is exposed to a variety of risks which are financial risks, insurance risks, operational risks, compliance risks and strategic risks. The Company maintains a detailed risk taxonomy to ensure all material risks are identified and systematically managed. The principal risks and their definitions are summarized below:

RISKS	DEFINITION
Financial Risk	The risk of loss arising from asset-liability mismatches, financial market volatilities, counterparty defaults or failures to maintain sufficient liquidity for meeting business requirements or obligations.
Insurance Risk	The risk arising from changes in claims experience as well as more general exposure relating to the acquisition and persistency of insurance business. This also includes changes to actuarial and investment assumptions regarding future experience for these risks. The risk also covers the life insurance claims or losses directly resulting from catastrophic events.
Operational Risk	The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
Compliance Risk	The risk of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of failure to comply with laws, regulations, rules, related self-regulatory organisations standards, and codes of conduct applicable to the business.
Strategic Risk	The risk of the current and prospective impact arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of the Company's strategic goals, the business strategy developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

3.2 Risk Mitigation in the Organisation

- The Company has adopted the 'Three Lines of Defense' model to manage the risks in the organization. First line managements are responsible for the timely identification and escalation of material risk developments and for the implementation of risk mitigation actions, as appropriate.
- The Company uses various techniques to manage risks, including:
 - Appointment of risk owners.
 - Risk and Control Self Assessments (RCSA).
 - Operational risk incidents management and reporting.
 - Key risk indicators

- Specific for financial risks and insurance risks - asset allocation, hedging, product design or repricing.

3.3 Material Risk Concentrations

The Company has established investment policies and limits governing concentration risk arising mainly from its investment activities in single counterparty, industry sector and geographic exposures. Any potential activity that may breach the concentration limits has to be reviewed by the Risk Management function and approved by the designated executives and/or committees according to the Company's investment policies.

3.4 Investment in Assets in accordance with the Prudent Person Principles of the Code of Conduct

- The Company's investment portfolio is managed in accordance with the Company's investment policy guidelines. These guidelines require the overall risk profile and other characteristics of the investment portfolio are consistent with the liabilities backed by those investments.
- These guidelines are reviewed on an annual or as-needed basis if any significant deviations have occurred that affect the financial markets.

3.5 Stress Testing and Sensitivity Analysis to Assess Material Risks

The Company performs the stress testing to provide assurance that the capital is adequate to maintain regulatory solvency level and withstand adverse financial risk events. The stress test results are reviewed regularly by relevant committees.

In compliance with Bermuda regulations, nine prescribed financial market scenarios were tested, including equity shock, property shock, interest rate shock, credit spread shock, inflation shock, liquidity shock, etc. Three self-selected underwriting scenarios were also tested, including mortality and morbidity shock, lapse shock and catastrophe shock. In addition, a worst-case annual aggregate loss scenario with combined shock and a reverse stress testing scenario were conducted. The detailed assumptions and outcomes are submitted to the BMA in schedule V(e).

Based on the latest results of the stress testing and sensitivity analysis, the Company believes that it has sufficient capital and liquidity to comply with the contractual obligations of the organisation and regulatory requirements upon experiencing losses within its risk tolerance.

4 Solvency Valuation

4.1 Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

The Company has considered the valuation principles outlined by Authority's "Guidance Note for Statutory Reporting Regime" for the reporting period's statutory filing. The economic valuation principles outlined in this document are to measure assets and liabilities on a fair value basis (which is the value that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date). The fair value principles used for the assets are as follows:

- **Cash and Cash Equivalents** – includes cash time deposits. The fair value of these holdings is measured at amortised cost using the effective interest method which approximates the fair value.
- **Fixed Income Securities** – are valued based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers or using mark to model valuations by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.
- **Equity and Investment Funds** - are valued based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities.
- **Hedge Funds and Limited Partnerships** - are measured based on the net asset values estimated by reference to the quoted market prices of underlying investment or based on valuation provided by the general partner or manager of each investment.
- **Investment properties** - are independently valued and verified by independent external valuation experts bi-annually. It is based on active market prices, adjusted if necessary for any difference in nature, location or condition of the specific asset.
- **Policy Loans** - are measured at amortised cost which approximates the fair value.
- **Loans to Individuals** - are measured at amortised cost less any impairment losses because of immaterial differences between amortised cost and fair value (short term receivables)
- **Accounts Receivable and Premium Receivable** – are measured at amortised cost less any impairment loss because of immaterial differences between amortised cost and fair value (short term receivables).
- **Derivative Financial Instruments** - are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The fair value is provided by the derivative counterparties which are determined by discounting the contractual future cash flows and relevant foreign exchange forward rates and swap curve.

4.2 Valuation Bases, Assumptions and Methods to Derive the Value of Technical Provisions

- Insurance technical provisions are valued based on best estimate cash flows, discounted to reflect the time value of money using rates of interest consistent with those supplied by the Authority (where available). Standard Approach is applied. The technical provisions are calculated as the sum of Best Estimate Liabilities ("BEL") and a Risk Margin. The fair

value of technical provisions is calculated by risk neutral stochastic valuation techniques, following the EBS principles which require taking into account management actions/policyholder behaviour and valuing embedded options and guarantees subject to market risk.

- The data used to measure the insurance reserves in the audited financial statements are also used to value the insurance technical provisions. Cash flows are projected based on best estimate assumptions without provision for adverse deviations.
- In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows, which is calculated using the cost of capital approach and the rate prescribed by the Authority for each reporting period.
- At 30 June 2024, the total Technical Provisions amounted to HKD 61,157m comprising the following:

	HKD million
Total gross long-term business insurance provisions	58,094
Reinsurance recoverable	844
Risk margin	2,219
Total Technical Provision	61,157

4.3 Description of Recoverable from Reinsurance Contracts

Reinsurance contracts mainly take the form of surplus and quota share arrangements. Receivables from reinsurance contracts are valued using the same methodologies and principles that are also used to value the insurance technical provisions.

4.4 Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

Similar to the valuation principles for assets, the Company's liabilities follow the valuations principles outlined by Authority's "Guidance Note for Statutory Reporting Regime" which values liabilities at a fair value basis.

All other liabilities (except for Interest-bearing Liabilities and Derivative Instruments) are valued on an IFRS basis.

Interest-bearing Liabilities are valued at quoted market prices. If unquoted, fair values are estimated using mark to model valuations by discounting expected future cash flows using the rates that consistent with those supplied by the Authority.

Derivative Instruments are valued at the same method as Derivative Financial Instruments in asset side.

5 Capital Management

5.1 Eligible capital

5.1.1 Capital Management Policy and Process for Capital Needs, How Capital is Managed and Material Changes During the Reporting Period

- The capital management objective of the Company is to maintain sufficient capital to ensure that the Company operates within its risk appetite while achieving its strategic objectives.
- The Risk Appetite Statement of the Company is supported by three Risk Tolerance Pillars: Capital and financial strength, earnings variability and protection of franchise value. The first Risk Tolerance Pillar defines the capital requirements of the Company.
 - **Capital:** "Capital must be sufficient to meet the minimum regulatory required level under both business-as-usual and stress scenarios"
 - **Financial strength:** "Maintain sufficient capital and a high level of risk management standard to sustain an investment grade rating issued by international reputable rating agencies."

5.1.2 Eligible Capital Categorised by Tiers in Accordance With the Eligible Capital Rules

- Only Tier 1 capital is held by the Company at the end of the reporting period.

	HKD million
Tier 1	23,397
Tier 2	0
Tier 3	0
Total	23,397

- Both Minimum Margin of Solvency (MSM) and the Enhanced Capital Requirement (ECR) are fully funded by Tier 1 capital, which fully complies with the limits set in the Insurance (Eligible Capital) Rules.

5.1.3 Transitional Arrangements of the Eligible Capital Rules

- CTF Life does not make use of the transitional arrangements in this reporting.

5.1.4 Factors Affecting Encumbrances Availability and Transferability of Capital

- Regulatory solvency margin is legal minimum capital level in Hong Kong defined by the Hong Kong Insurance Ordinance and below which the regulator usually has the right of full intervention.

The Company needs to hold capital exceeding the Minimum Acceptable Capital, (MAC) below which the IA (Insurance Authority) will intervene in the management of CTF Life. The regulatory intervention at this level will typically require that new business ceases until a plan to restore capital above the level is in place, so this is used as CTF Life's MAC. It is set at 150% of regulatory solvency margin which is defined by the Hong Kong Insurance Ordinance .

Non-transferable own funds as of 30 June 2024

= BMA Economic Capital and Surplus – HKIO Available Statutory Surplus

= BMA Economic Capital and Surplus - (HKIO Statutory Surplus – Minimum Acceptable Capital)

= 23,397 – (9,221 – 150% x 2,740)

= 23,397 – 5,112

= 18,285 (HKD million)

5.1.5 Ancillary Capital Instruments Approved by the Authority

- There is no ancillary capital instruments

5.1.6 Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus

Other than the impact of employing statutory-based technical provision valuation techniques, significant differences between HKFRS shareholder equity and available statutory capital and surplus include the reduction in available statutory capital for deferred acquisition cost, advances to agents and other intangible assets.

5.2 Regulatory capital requirements

5.2.1 ECR and MSM Requirements at the End of the Reporting Period

At the end of the reporting period, the Company's regulatory capital requirements were assessed as follows:

Requirement	HKD million
Minimum Margin of Solvency	1,204
Enhanced Capital Requirement	4,319

5.2.2 Identification of Any Non-Compliance with the MSM and the ECR

The Company was compliant with the MSM and ECR requirement at the end of the reporting period.

5.2.3 A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness

Not Applicable.

5.2.4 Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance

Not Applicable.

5.3 Approved Internal Capital Model

Not applicable - the Company has not applied to have its internal capital model approved to determine regulatory capital requirements.

6 Subsequent Events

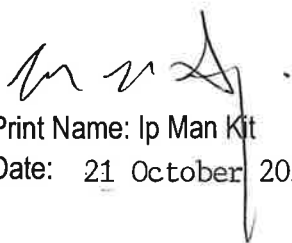
- There is no significant subsequent event after 30 June 2024.

7 Declaration

We declare that to the best of our knowledge and belief, the information in this Capital and Solvency Return fairly represents the financial condition of the Company in all material respects.

Chief Executive Officer

Signature:



Print Name: Ip Man Kit

Date: 21 October 2024

Appointed Actuary

Signature:



Print Name: Chow Ka Ming

Date: 21 October 2024