

**Chow Tai Fook Life Insurance  
Company Limited**

**Financial Condition Report**

**For the year ended 30th June 2025**

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# 1 Business and Performance

## 1.1 Insurer

### 1.1.1 Name of Insurer

**Chow Tai Fook Life 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 2025:

Rating agency	Financial strength rating	Issuer credit rating	Rating current as at
Moody's	A3 / Stable	NA	30 June 2025
FitchRating	A- / Stable	BBB+	30 June 2025

## 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

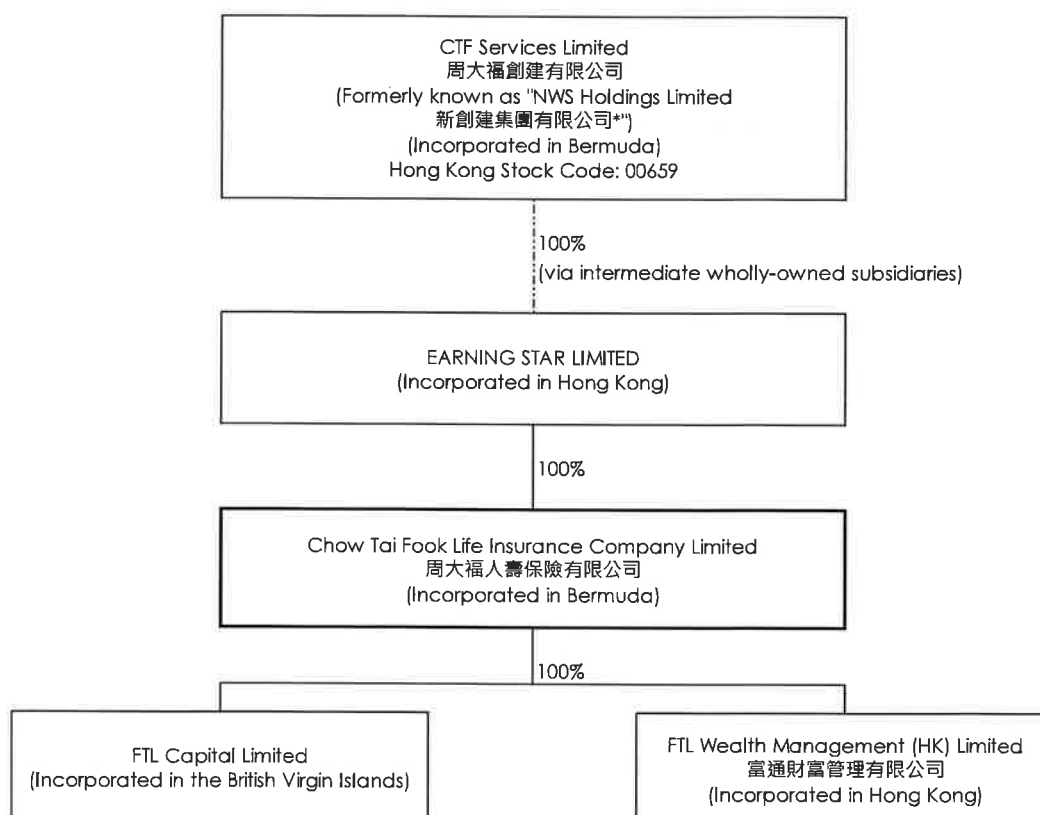
PricewaterhouseCoopers  
22/F, Prince's Building  
10 Chater Road, Central  
Hong Kong

## 1.4 Ownership Details

The immediate holding company of the Company is EARNING STAR LIMITED, which is an indirect wholly-owned subsidiary of CTF Services Limited (formerly known as "NWS Holdings Limited"), a company incorporated in Bermuda and the shares of which are 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 Ownership Structure (as at 30 June 2025)



\* 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 2024 to Jun 2025 HKFRS Gross premium Written	Jul 2023 to Jun 2024 HKFRS Gross premium Written
Mortality	11,587	10,619
Critical Illness	1,656	1,660
Deferred Annuities	261	275
Disability Income	79	81
Group Life/Health	14	15
Rider	931	855
<b>Long-term business</b>	<b>14,528</b>	<b>13,504</b>

## 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 2025 are as follows:

HKD million	Jun 2025	%
Fixed-income investment	60,444	68%
Equity investment	16,431	18%
Private fund investment	4,084	5%
Other investment	8,472	9%
<b>Policyholder and shareholder investment assets (excluding unit-linked assets)</b>	<b>89,431</b>	<b>100%</b>

- 97% of the directly held fixed income assets are rated as investment grade under external or internal rating at 30 June 2025. 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:

<b>HKD million</b>	<b>Jul 2024 to Jun 2025</b>	<b>Jul 2023 to Jun 2024</b>
Interest income	3,054	2,822
Dividend and other investment income	460	391
Realised and unrealised capital gain/ (losses) on investments	1,531	(1,598)
Other realized and unrealized gain/ (losses)	5	(5)
Gains related to investments for unit-linked contracts	1,003	641

### 1.6.2 Material Income & Expenses for the Reporting Period

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

<b>HKD million</b>	<b>Jul 2024 to Jun 2025</b>	<b>Jul 2023 to Jun 2024</b>
Insurance revenue	3,891	3,247
Insurance service expenses	(2,766)	(2,508)
Net (expenses)/ income from reinsurance contracts held	(68)	79
<b>Insurance service result</b>	<b>1,057</b>	<b>818</b>

- The Company's income/(expenses):

<b>HKD million</b>	<b>Jul 2024 to Jun 2025</b>	<b>Jul 2023 to Jun 2024</b>
Investment return	6,036	2,143
Finance expenses from insurance contracts issued	(5,216)	(1,455)
Finance expenses from reinsurance contracts held	(7)	-
Movement in investment contract liabilities	(529)	(373)
Other expenses	(30)	(21)
Other finance costs	(17)	(41)
<b>Total portfolio</b>	<b>237</b>	<b>253</b>

### 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 ten directors as at 30 June 2025, including two executive directors, four non-executive directors and four 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, CTF Services Limited (formerly known as "NWS Holdings Limited"), CTFS Management Limited (formerly known as "NWS SERVICE MANAGEMENT LIMITED" (incorporated in the Cayman Islands)), CTF Financial Holdings Limited (formerly known as

"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 ("Dr. Cheng"), 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 CTF Services Limited (formerly known as "NWS Holdings Limited") ("CTFS") (an intermediate holding company of the Company). He is also 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 CTFS, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises 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 ("Mr. Ip"), Executive Director and Chief Executive Officer

- 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' of dedicated experience in the life insurance industry and had held various executive roles at AIA Hong Kong across diverse disciplines, including information technology, operations, project management, transformation as well as health and wellness business development in both Hong Kong and Mainland China. Mr. Ip also played a pivotal role in shaping industry standards through his leadership as Chairman and member of key industry associations, including the Medical Insurance Association and the Hong Kong Federation of Insurance. In recent years, Mr. Ip has been a key driving force behind medical insurance reform and a trailblazer in leading digital transformation

initiatives at 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 from University of Toronto, Canada.

**Mr. TSUI Chi Kin, Ellick (“Mr. Tsui”), Executive Director, Deputy Chief Executive Officer and Chief Financial Officer**

- Mr. Tsui joined the Company in December 2020 and is an Executive Director, Deputy Chief Executive Officer and Chief Financial Officer of the Company.
- Mr. Tsui has over 30 years of experience in the insurance industry and has worked in various areas from regional business development covering China, India, Indonesia and the Philippines, to marketing and branding, product development, pricing, investment, ALM, valuation, capital management and risk. He held senior management positions having worked at BOC Life, HSBC Life, Sun Life and Manulife. Before returning to Hong Kong in 1999, Mr. Tsui worked at Canada Life in Toronto, Canada for almost 10 years with extensive overseas experience.
- Mr. Tsui is the Chairman of the Governing Committee and Councillor of Life Insurance Council of The Hong Kong Federation of Insurers (“HKFI”). He also serves as the Chairman of HKFI Task Force on RBC Enhancement and a member of Task Force on Greater China Affairs. Representing HKFI, Mr. Tsui sits as a member of the Insurance Regulatory Advisory Panel of the Hong Kong Institute of Certified Public Accountants. Further, Mr. Tsui is a member of Financial Services Development Council Working Group on Mobilising Insurance Capital to Foster Sustainable Economic and Social Development in Hong Kong as well as a member of Hong Kong General Chamber of Commerce Financial and Treasury Services Committee and General Committee Member of Insurance Complaints Bureau. He is also a member of Life Committee of Actuarial Society of Hong Kong and Advisory Committee member for the Insurance, Financial and Actuarial Analysis programme of the CUHK Business School. Before joining the Company, Mr. Tsui was the Deputy Chief Executive and Chief Financial Officer of BOC Group Life Assurance Company Limited.
- Mr. Tsui holds a Bachelor of Science in Computer and Actuarial Science from the University of Toronto, Canada. He is currently a fellow member of the Canadian Institute of Actuaries, Society of Actuaries of the USA, and the Actuarial Society of Hong Kong.

**Mr. CHENG Chi Ming Brian (“Mr. Cheng”), 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 CTFS in January 2008 and was appointed as executive director of CTFS in July 2009 and co-chief executive officer of CTFS 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 (“Mr. Ho”), 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. Mr. Ho joined CTFS as senior director in January 2018 and has been serving as executive director of CTFS since July 2018. He was appointed as chief operating officer in February 2022 and co-chief executive officer of CTFS in January 2024. Mr. Ho is the director and co-chief executive officer of Chow Tai Fook Enterprises Limited. Mr. Ho was appointed as an executive director and a member of the executive committee of New World Development Company Limited on 29 November 2024, a listed public company in Hong Kong. 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. Mr. Ho is the member of the General 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 (“Mr. 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 is currently a Director of IML.

#### **Professor CHAN Ka Lok (“Professor Chan”), Independent Non-executive Director**

- Professor Chan 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.
- Professor Chan is Chair Professor of Finance at City University of Hong Kong. He served as the Dean of College of Business from November 2023 to May 2025. 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. Professor Chan is an Independent Non-executive Director of COSCO SHIPPING Ports Limited, a listed public company in Hong Kong. From 2014 to 2023, Professor 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, Professor 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). Professor Chan also served as the President of Asian Finance Association from 2008 to 2010.
- Professor 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 (“Mr. Ng”), 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 (“Mr. Lee”), 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 CTFSS.
- 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, the 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 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.

**Ms. CHUN May Ka Mee (“Ms. Chun”), Independent Non-executive Director**

- Ms. Chun is an Independent Non-executive Director of the Company. Ms. Chun is the Chairman of Risk Committee, a member of the Audit Committee of the Company.
- Ms. Chun was a Group Director, Strategic Solutions of Prudential Corporation Asia (“PCA”) (from October 2018 to December 2023), a Asia Chief Actuary Officer of PCA (from May 2016 to September 2018), a Group Chief Actuary of FWD Group Management Holdings Limited (from August 2015 to April 2016), an Executive Director – Actuarial Services, Advisory Department of Ernst & Young Advisory Services Limited (from August 2014 to July 2015) and a Senior Vice President, Chief Actuary (Asia) of New York Life International, Inc (from June 2003 to July 2011). Ms. Chun is a seasoned life insurance professional with over 30 years of experience across Asia and has proven expertise in actuarial leadership, product development, risk management and digital transformation within multinational insurance companies, including Prudential, FWD Group, and New York Life International.
- Ms. Chun holds a Bachelor of Economics (Actuarial Science) from Macquarie University, Australia. She is also a Fellow of the Institute of Actuaries of Australia and the Actuarial Society of Hong Kong.

## 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 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 takes into account all the solvency regimes to which the Company is subject, including the Bermudan solvency and capital requirements. The Company's solvency position<sup>1</sup> 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<sup>2</sup>.

## **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 laws and regulations. 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 and remediation plans, if any, will be reported to the Board accordingly.

### **2.4.2 Internal Control System**

- The Audit Committee (AC) is delegated by the Board with the authority 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 from the Internal Audit, external auditor, legal counsel, regulatory compliance and management, in examining all matters relating to the Company adopted accounting principles and practices, as well as reviewing all material financial, operational and compliance controls.
- In addition to Internal Audit, the Company engages 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.

<sup>1</sup> Bermuda Monetary Authority (BMA) Modified Filing has been approved on 14 March 2025 and it is currently applied to BMA regulatory submission for the financial year ended 30 June 2025, which is subject to approval each year. Under the BMA Modified Filing arrangement, Bermudan solvency capital requirement is made equivalent to Hong Kong Risk-based Capital (HKRBC) solvency capital requirement.

<sup>2</sup> Commercial Insurer's Solvency Self-Assessment capital (CISSA capital) is assessed under HKRBC basis in the Own Risk and Solvency Assessment report under the BMA Modified Filing.

## 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 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 is ultimately responsible for ensuring the Outsourcing Policy is in place and complies with applicable laws and regulations whilst the senior management is responsible for conducting risk assessment and monitoring on an ongoing basis.
- 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. Environment, Social and Governance (ESG) related risks (including Climate risks) are also covered under Strategic risk.

#### 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 monitor and manage risks, including:
  - Appointment of Risk Owners  
Risks are assigned to risk owners based on their subject matter expertise and defined roles and responsibilities. Risk owners are responsible for identifying, assessing, and monitoring the assigned risks on a regular basis. This approach facilitates accountability for risk owners.

- **Risk and Control Self Assessments (RCSA)**

RCSA is a structured process used by the Company to regularly identify, assess, and monitor risks and controls throughout its operations. Under RCSA, risk owners are required to assess inherent and residual risk rating whereas control owners are required to assess the control effectiveness. This approach provides visibility into the Company's overall risk exposure.

- **Operational Risk Incidents Management**

The Guideline for Operational Risk Incident Management has been established. It sets out the minimum standards and framework for a consistent approach for identifying, escalating, investigating, analysing, monitoring and recording operational risk incidents, including the collection of loss data arising from these incidents. All operational risk incidents will be reported to the Operational Risk Management Committee.

- **Key Risk Indicators (KRIs)**

KRIs are developed for risk monitoring and reporting on key risks. The risk trends indicated by each risk metric in the KRI report provides an early warning signal in case there is increasing exposure to the respective risk. Management actions to mitigate increasing risk exposures are required should the KRIs trigger the Amber or Red thresholds.

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

Asset allocation is monitored regularly against Strategic Asset Allocation which is designed to match the liability profile. Hedging may be deployed to mitigate financial risks, e.g. foreign exchange risk. For product, product design and pricing are properly reviewed and approved before launch. For products with adjustable premium, they will be repricing regularly.

### **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 stress testing and sensitivity analysis to provide assurance that its capital and liquidity are adequate to maintain regulatory solvency level and to withstand adverse risk events. The stress test results are reviewed regularly by relevant committees.

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

- CTF Life's solvency valuation and reporting have been developed in compliance with requirements set out in:
  - Insurance Ordinance ("Cap. 41"), in particular, Insurance (Valuation and Capital) Rules ("Cap. 41R")
  - Guideline on Valuation and Capital Requirements ("GL36")
  - Hong Kong Insurance Regulatory Returns Instructions

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

- In principle, all assets are valued at fair value.
- The projected cashflows of invested assets are modelled for the purpose of liability cashflow projection and assets revaluation under risk scenarios for calculating capital requirements.

### 4.2 Valuation Bases, Assumptions and Methods to Derive the Value of Long-term Business Insurance Liabilities

- CTF Life's long-term insurance liabilities are valued based on best estimate cashflows, discounted to reflect the time value of money using risk free rates plus matching adjustment. The cashflows are calculated by risk neutral stochastic valuation techniques, considering management actions/policyholder behavior and valuing embedded options and guarantees subject to market risk.
- For policyholders' funds on deposit ("FOD"), the account balance as at the valuation date is reported as the inforce reserves.
- Prepaid premium is valued at account balance plus any shortfall arising from future guaranteed interest associated with the prepaid premiums.
- Provisions for outstanding claims are valued following HKFRS accounting rule.
- In addition, there is margin over current estimate ("MOCE") to reflect the uncertainty of liability cash flows related to mortality risk, longevity risk, morbidity risk, expense risk and the level and trend lapse component of lapse risk.
- As at 30 June 2025, the total long-term business insurance liabilities amounted to HKD 74,930 million comprising the following:

	HKD million
Outstanding claims	273
Inforce reserves	68,366
Margin over Current Estimate	1,013
Prepaid policyholder premiums	5,277
<b>Total Long-term insurance liabilities</b>	<b>74,930</b>

#### **4.3 Description of Recoverable from Reinsurance Contracts**

- CTF Life has reinsurance arrangements for participating, non-par (including medical and critical illness), and universal life businesses, with participating treaties contributing to the majority of the business ceded. The type of reinsurance covers surplus reinsurance, coinsurance, block reinsurance and catastrophic reinsurance.
- For valuation of reinsurance recoverable of these treaties, the assumptions, contract boundary and discount rate applied are consistent with the underlying insurance liabilities ceded.
- The present value of reinsurance net cashflows are calculated and determined as reinsurance assets or reinsurance liabilities on a contract-by-contract basis for each treaty, with no offsetting between reinsurance contracts, and aggregated at each side of HKRBC regulatory balance sheet.
- The present value of positive reinsurance net cashflows is reported as reinsurance assets with adjustment considering the expected loss due to potential defaults of the reinsurer. The present value of negative reinsurance net cashflows is recognized as reinsurance liability without further adjustment.

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

- The liabilities which are not mentioned above in the HKRBC regulatory balance sheet mainly include payable to policyholders, intermediaries & reinsurers (including deposits from) and other liabilities. The carrying value of the items are determined following principles consistent with the HKFRS accounting rule.

## 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 capital base of the Company is the sum of Unlimited Tier 1 capital, Limited Tier 1 capital and Tier 2 capital.
- With capital resources classified into prescribed tiers and adjustments/deductions applied, capital composition limits are imposed to derive the final eligible capital resource that needs to be measured against the prescribed capital amount ("PCA").
- CTF Life applied capital composition limits in compliance with Cap.41R Rule 7 where:
  - Limited Tier 1 Capital must not exceed 10% of PCA
  - Tier 2 Capital must not exceed 50% of PCA
- The risk appetite statement of the Company is supported by four risk tolerance pillars: capital and financial strength, liquidity, earnings variability and operational resilience. The first risk tolerance pillar defines the capital requirements of the Company.
  - "Maintain sufficient capital under both business-as-usual and stressed scenarios, defined by regulatory requirements and our internal Target Capital"
  - "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 Categorized by Tiers in Accordance with the Eligible Capital Rules

- The eligible capital at the end of the reporting period is as below:

	HKD million
Tier 1 – Unlimited	22,618
Tier 1 – Limited	0
Tier 2	345
<b>Total</b>	<b>22,963</b>

- At the end of the reporting period, the limited tier 1 capital does not exceed 10% of PCA (HKD 823 million), and the tier 2 capital does not exceed 50% of PCA (HKD 4,117 million).

#### 5.1.3 Transitional Arrangements of the Eligible Capital Rules

- While the HKRBC rule allows the application of transitional arrangement within 36 months after the commencement date of the rule (i.e. before 30 June 2027), CTF Life does not make use of the transitional arrangements in this reporting.

#### 5.1.4 Factors Affecting Encumbrances Availability and Transferability of Capital

- The Company needs to hold capital exceeding the PCA. Failure to meet the requirement provides grounds for the Insurance Authority to revoke the insurer's authorization.
- Also, the Company needs to hold capital exceeding the minimum capital amount ("MCA") at long-term business fund level.
- The transferability of capital within participating funds is subject to the requirements in Guidelines on Establishment and Maintenance of Funds in respect of Participating Business ("GL34").
- For other funds supporting long-term business, the transfer of funds are governed by internal policies and procedures of the Company.

#### 5.1.5 Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Eligible Capital

- The eligible capital under HKRBC is different from the shareholder's equity as stated in the financial statements due to valuation rule difference between HKFRS and HKRBC, which mainly includes:
  - Intangible assets are recognized in the financial statements but not in the HKRBC eligible capital.
  - All invested assets are valued in fair value under HKRBC, while they could be valued in amortized cost in the financial statements under certain circumstances.
  - Different valuation methodology of long-term insurance liabilities, for example, time value of options and guarantees ("TVOG") flooring is required under HKRBC but not HKFRS. Also, contractual service margin ("CSM") is required to be measured under HKFRS but not HKRBC.

## 5.2 Regulatory capital requirements

### 5.2.1 Capital 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
Prescribed Capital Amount (PCA)	8,233
Minimum Capital Amount (MCA, 50% of PCA)	4,117

### 5.2.2 Identification of Any Non-Compliance with the capital requirement

- The Company was compliant with the capital 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 2025.

## 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: 20 January 2026

### Appointed Actuary

Signature:



Print Name: Chow Ka Ming

Date: 20 January 2026

