

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2024

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITY

The principal activity of Tahoe Life Insurance Company Limited (incorporated in Bermuda with limited liability) (the “Company”) is the writing of life and annuity direct insurance.

The Company has not carried on any insurance business during the year relating to liabilities or risks in respect of which any person is required by any Ordinance to be insured.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2024 are set out in the income statement on page 15.

The Directors do not recommend the payment of a dividend (2023: Nil).

DONATIONS

During the year, the Company did not make any charitable and other donation (2023: Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company are shown in Note 22 to the financial statements.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Details of the movements are shown in Note 9 and Note 11 to the financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

REPORT OF THE DIRECTORS (Continued)

DIRECTORS AND CONTROLLERS

The Directors and Controllers of the Company as defined in the Insurance Ordinance during the year and up to the date of this report are:

Directors:

Ge Yong (Andy Ge) (resigned on 27 March 2025)
Feng Heping (Charles Feng)*
Wong Yuen Sze Virginia (Virginia Wong)
Peng De Zhi (David Peng) (resigned on 31 July 2024)*
Zhang Juying Jerry (Jerry Zhang)*
Michael Joseph Moriarty (appointed on 26 June 2024)*

** Independent Non-Executive Director*

In accordance with the byelaw 12 of the Company's byelaws, Directors shall be elected or appointed at annual general meeting.

Controllers:

Huang Qisen
Wong Yuen Sze Virginia (Virginia Wong) (ceased to be a Controller on 26 July 2024**)
Tahoe Investment Group Company Limited 泰禾投資集團有限公司
Everwin Enterprise (Hong Kong) Limited 永興達企業(香港)有限公司
Thaihot Investment (Bermuda) Company Limited

*** ceased to be a Controller upon the appointment of Managers by the Insurance Authority in Hong Kong under section 35(2)(b) of the Insurance Ordinance on 26 July 2024.*

DIRECTORS' AND CONTROLLERS' INTERESTS

Directors' and Controllers' rights to acquire shares and debentures

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

Directors' and Controllers' interests

No transaction, arrangement or contract of significance in relation to the Company's business to which the Company, its fellow subsidiaries or its holding companies was a party and in which a Director or Controller of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year other than disclosed in Notes 2.1.2 and 24 to the financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' AND CONTROLLERS' INTERESTS (Continued)

Directors' and controllers' interests in property, payments, loans advanced or obligations assumed

No properties were transferred, payments made, loans advanced to or obligations assumed by or for a Director or a Controller of the Company, his or its nominees or associates (within the meaning of Section 9 of the Insurance Ordinance) during the year.

Permitted indemnity provision

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year, except for the service agreements and addendums (as applicable) between the Company, Tahoe Services Limited and/or Tahoe Life Insurance Company (Macau) Limited, fellow subsidiaries of the Company, for administrative and service support as detailed in Note 24 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the transactions with related parties of the Company for the year ended 31 December 2024 have been set out in Notes 2.1.2 and 24 to the financial statements.

ASSOCIATED COMPANIES AND SUBSIDIARIES

At the end of the year, the Company or the Company together with any associate or through a nominee as defined in the Hong Kong Insurance Ordinance did not have one third or more of the voting power of any body corporate.

TAHOE LIFE INSURANCE COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

REPORT OF THE DIRECTORS (Continued)

REINSURANCE

During the year the Company carried on reinsurance arrangements with Swiss Re Asia Pte. Ltd., Hong Kong Branch; Munich Reinsurance Company, Hong Kong Branch and Singapore Branch; Transamerica Premier Life Insurance Company; China Life Reinsurance Company Limited; Taiping Reinsurance Company Limited and SCOR Reinsurance Company (Asia) Limited.

A surplus reinsurance treaty is in force with Swiss Re Asia Pte. Ltd., Hong Kong Branch for all life insurance products other than those with a low mortality component. The surplus reinsurance treaty has a maximum retention of US\$40,000 sum assured for policies issued before 1 January 1998 and US\$60,000 for policies issued thereafter. In 2011, a new reinsurance treaty with Munich Reinsurance Company, Hong Kong Branch is in place to cede out the retained portion of the Whole Life Special Plan, in addition to the existing surplus reinsurance treaty. This is renewable yearly with guaranteed reinsurance premium rates where the Company reinsures 100% of the current sum at risk, which is defined as the difference between the sum assured and the cash value.

There are other treaties that have been implemented with Munich Reinsurance Company, Hong Kong Branch to cover the Noble Savings Protection Plan / Explorer 18 Savings Protection Plan / Prosperity Plus Savings Protection Plan / Prosperous One Savings Protection Plan / Amore Savings Protection Plan / Amore Care Savings Protection Plan / Full-Joy Protection Plan/ Blissful Life Insurance Plan products which were launched since 2014 and it follows the same US\$60,000 retention limit.

A quota share reinsurance treaty with China Life Reinsurance Company Limited to reinsure the Reminbi product is in place since 2011. The retention ratio for these products is 1%

A quota share reinsurance treaty with Taiping Reinsurance Company Limited to reinsure the Brilliant Saver product which was launched in 2017. The retention ratio for surrender and maturity benefit is 1% while that for the sum at risk for death and an extra accidental death benefit is 50%.

Quota share reinsurance treaties are in place for the personal accident and medical benefits where the Company's retention level typically is in the 20% to 50% range. The Company has a coinsurance arrangement with Transamerica Premier Life Insurance Company where the Company's retention level is 30% in respect of the refund of premium plans. For New Lady / New Hero / WellBeing / Best-of-Health Critical Illness Protection Plan, quota share reinsurance treaties are in place with Munich Re, with retention limits of 50%, subject to a cap of US\$60,000 for New Lady / New Hero, and US\$40,000 for WellBeing / Best-of-Health / Double Health Care Supplementary Contract. For the Cancer Protection Rider, quota share reinsurance treaties are in place with Munich Re, with a retention of 20%.

For 1320 MultiCare and MultiGuard Critical Illness Protection Plan that launched since 2018, a quota share reinsurance treaties are in place with Munich Reinsurance Company, Hong Kong Branch, with retention limits of 40%, subject to a cap of US\$40,000.

For Captain Cool Children Savings Plan that launched on 2020, a quota share reinsurance is in place with Munich Reinsurance Company, Hong Kong Branch, with retention limits of 50% for death benefit, subject to a cap of US\$60,000.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

REPORT OF THE DIRECTORS (Continued)

REINSURANCE (Continued)

For Easy Protector Term Insurance Plan that launched in December 2018, a quota share reinsurance treaties are in place with SCOR Reinsurance Company (Asia) Limited, Hong Kong Branch, with retention limits of 30%, while reinsurer share will subject to a limit of USD 687,500 / HKD 5,500,000.

In 2019, there are treaties that have been implemented with Munich Reinsurance Company, Singapore Branch. For Premier Life Insurance Plan, a surplus treaty is in place with USD 60,000 retention limit. For Achiever Speedy Savings Protection Plan / Genius 18/21 Savings Protection Plan, a coinsurance fund withheld treaty is in place with a retention of 65%.

A catastrophe reinsurance treaty has been arranged with Munich Reinsurance Company, Hong Kong Branch which provides cover when more than three people die as a result of one event.

SUBSEQUENT EVENT

For events subsequent to the year end, please refer to Note 27 of the financial statements.

AUDITOR

The Company's financial statements for the year ended 31 December 2024 have been audited by BDO Limited, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Wong Yuen Sze Virginia
Director
Hong Kong, 31 OCT 2025

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the financial statements of Tahoe Life Insurance Company Limited (the "Company") set out on pages 15 to 90, which comprise the statement of financial position as at 31 December 2024, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

We do not express an opinion on the financial statements of the Company. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(A) Business rationale of certain investments in unlisted debt securities and unlisted funds

In 2019 and 2020, the Company made certain investments in unlisted debt securities issued by third parties and unlisted funds managed by third parties, with original acquisition costs totalling HK\$2,104.4 million. These investments were classified as financial assets at fair value through profit or loss. Based on the Company's financial statements, there was redemption of one of the unlisted funds with original acquisition cost of HK\$392 million in July 2024 by transferring to the Company the underlying assets, including cash of HK\$42 million and a note issued by a fellow subsidiary of the Company (the "Fellow Subsidiary") of HK\$2.6 million in August 2024. These unlisted debt securities and unlisted funds reported a decrease in fair value of HK\$17.8 million, a foreign exchange loss of HK\$0.3 million recognised in the profit or loss for the year ended 31 December 2024. A cumulative decrease in fair value of HK\$2,002 million and foreign exchange gain of HK\$7 million were recognised in profit or loss in prior years. The total fair value of the remaining unlisted debt securities (including the note issued by the Fellow Subsidiary received through redemption of the fund in 2024) and unlisted funds was HK\$50 million as of 31 December 2024.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

Basis for Disclaimer of Opinion - Continued

(A) Business rationale of certain investments in unlisted debt securities and unlisted funds - Continued

- (i) As disclosed in note 2.1.2 to the financial statements, in 2019, the Company entered into an investment agreement to invest in an unlisted debt security with original cost of HK\$235 million. There is a set-off clause in the investment agreement which entitles the issuer of this unlisted debt security to an immediately-exercisable non-conditional right to early redeem the debt or redeem the debt on maturity at the principal amount by the transfer to the Company of one of the debt securities, measured at their face value, specified in the pre-determined list in the investment agreement, instead of redeeming the debt through cash settlement. The pre-determined list includes debt securities issued by various listed and unlisted companies bearing different credit ratings and those debt securities have various maturity dates and coupon rates. One of those debt securities in the investment agreement is a note issued by the Fellow Subsidiary which had exactly the same principal amount and maturity date as the one originally invested by the Company. According to the terms of the investment agreement, the selection of debt securities from the pre-determined list for transferring to the Company as repayment by the issuer was at the issuer's sole and absolute discretion. In 2020, management represented that on the same day when the Company entered into the investment agreement with the issuer to acquire the debt securities, the issuer announced its investment in such note issued by the Fellow Subsidiary. While such note was issued two days after the announcement date, such note was already included in the pre-determined list in the investment agreement mentioned above. In December 2020, the issuer informed the Company that it would exercise its rights to early redeem the debt by transferring to the Company the note issued by the Fellow Subsidiary. In response, the Company replied in writing to the issuer of this unlisted debt security to reject such transfer. During the year ended 31 December 2024 and as of the date of this report, there was no further development. A fair value loss of HK\$3.3 million was recognised in profit or loss for the year ended 31 December 2024 and a cumulative decrease in fair value of HK\$230 million was recognised in profit or loss in prior years. The fair value of the unlisted debt security was HK\$1.7 million as of 31 December 2024.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAHOE LIFE INSURANCE COMPANY LIMITED
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Basis for Disclaimer of Opinion - Continued

(A) Business rationale of certain investments in unlisted debt securities and unlisted funds - Continued

- (ii) As disclosed in note 2.1.2 to the financial statements, in 2019 and 2020, the Company invested in three unlisted funds with original costs of HK\$1,478.6 million. The amounts of investments made by the Company in such unlisted funds and the amounts of these funds' corresponding underlying investments in the notes issued by the Fellow Subsidiary (either directly or indirectly through a structured arrangement) are either similar or, in most of the cases, exactly the same. Interests in two of the unlisted funds mentioned above were acquired by the Company either on the same date or close to the date on which these funds invested in the notes issued by the Fellow Subsidiary. The Company signed a settlement agreement for one of the funds with the original cost of HK\$392 million and the fair value of HK\$47 million with the fund manager in July 2024 and the Company has received the underlying assets, including cash of HK\$42 million and the note issued by the Fellow Subsidiary of HK\$2.6 million in August 2024. Subsequent to the year end, the Company received a notice from the fund manager confirming for the redemption of another fund, with the original cost of HK\$699 million and the fair value of HK\$42.8 million as of 31 December 2024 in July 2025 and the Company has received cash of HK\$42 million from the funds in September 2025. As of the date of this report, the Company received a note issued by the Fellow Subsidiary in October 2025 and the transfer of the remaining note issued by the Fellow Subsidiary has not been completed up to the date of this report. There has been no further development during the year ended 31 December 2024 and up to the date of this report for the remaining fund. A fair value loss of HK\$8.8 million and a foreign exchange loss of HK\$0.3 million has been recognised in profit or loss for the year ended 31 December 2024 and a cumulative decrease in fair value of HK\$1,386.3 million and exchange gain of HK\$4.2 million were recognised in profit or loss in prior years. The fair value of remaining two unlisted funds was HK\$42.8 million and the fair value of the note issued by the Fellow Subsidiary received through redemption of the fund above was HK\$2.6 million as of 31 December 2024.



INDEPENDENT AUDITOR'S REPORT
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Basis for Disclaimer of Opinion - Continued

(A) Business rationale of certain investments in unlisted debt securities and unlisted funds - Continued

- (iii) As disclosed in note 2.1.2 to the financial statements, in 2019, the Company invested in another unlisted debt security with original costs of HK\$390.8 million. In 2021, the issuer of the security contacted the Company and proposed to repay the maturity payment through transfer of a note issued by the Fellow Subsidiary. The amounts of investments made by the Company in such unlisted debt security and the amounts of these corresponding investments in the notes issued by the Fellow Subsidiary are the same. The Company replied to the issuer and rejected the proposed settlement as this is not in accordance with the contract terms. During the year ended 31 December 2024 and as of the date of this report, there was no further development and such transfer has not been executed. A fair value loss of HK\$5.6 million was recognised in profit or loss for the year ended 31 December 2024 and a cumulative decrease in fair value of HK\$384.6 million and exchange gain of HK\$2.3 million were recognised in profit or loss in prior years. The fair value of the unlisted debt security was HK\$2.9 million as of 31 December 2024.

Based on the above facts and circumstances, there was a close proximity between (a) the amounts and timing of the Company's investment in these unlisted debt securities issued by the third-party issuers and the unlisted funds managed by such third-party fund managers; and (b) the amounts and timing which such third-party issuers of debt securities and these unlisted funds invested in the notes issued by the Fellow Subsidiary (hereinafter referred to as the "Close Proximity").

We were made aware by management of these circumstances, including the Close Proximity, and have inquired of management as to the nature and business rationale for the above investments, and whether there were side-agreements and/or other arrangements in respect of these investments, which may potentially affect the nature of these balances, management's consolidation assessment, valuation of these investments, the disclosures of related party transactions in the financial statements, and the Company's compliance with applicable laws and regulations. As informed by management, they conducted a review of these investments during 2020 and 2021. In addition to the inquiries with management, we requested for certain documents and information relating to these investments, and requested for interviews with selected former and existing employees of the Company and relevant third-party fund managers in order for us to ascertain the nature, business rationale and commercial substance of these investments, and to ascertain the existence of side-agreements and/or other arrangements of these investments, if any.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAHOE LIFE INSURANCE COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

Basis for Disclaimer of Opinion - Continued

(A) Business rationale of certain investments in unlisted debt securities and unlisted funds - Continued

As at the date of this report, we were able to conduct interview with certain parties but not the remaining targeted parties (including a former senior executive of the Company who was closely involved in approval or identification of these investments), and management were not able to provide adequate and satisfactory explanations about these circumstances, including the Close Proximity.

Given the Close Proximity and our scope limitations described above, we were unable to ascertain, based on the audit procedures we performed, on whether there were side-agreements (especially those in respect of investments by the relevant parties in the debt securities issued by the Fellow Subsidiary) and/or other agreements and arrangements entered into by the Company not currently made known to management.

There were no other alternative audit procedures that we could perform to satisfy ourselves as to (a) the nature, business rationale and commercial substance of the Company's investments in the unlisted debt securities and the unlisted funds with total carrying value of HK\$50 million as at 31 December 2024, and as to whether these balances as at 31 December 2024 had been properly accounted for (including valuation of these balances and whether the Company had controls over the unlisted funds such that they should have been consolidated into the Company's financial statements), classified, measured, presented and disclosed (including the accuracy and completeness of related parties transactions and balances, if any) in the Company's financial statements as at and for the year ended 31 December 2024 (together with the consequential impact on the corresponding figures, if any), (b) the completeness and accuracy of unlisted debt securities and unlisted funds which might have similar circumstances, including the Close Proximity, as described above, (c) the completeness of any non-compliance of laws and regulations applicable to the Company as a result of the acquisitions of these assets together with the financial impact if any, and, (d) whether the Company's internal control function is effective in capturing the related party transactions and balances as mentioned in (a) above. Consequently, we were unable to determine whether any adjustments or disclosures to the financial statements were necessary.

We disclaimed our opinion on the Company's financial statements for the year ended 31 December 2023 in respect of the investments mentioned in (i) to (iii) above due to the similar limitation of scope on 30 June 2025. Since the scope limitations described above continue to exist on our audit for the year ended 31 December 2024, any adjustments considered necessary on the financial statements for the year ended 31 December 2023 would affect the financial position as at 31 December 2023 and 2024, the financial performance for the year ended 31 December 2023 and 2024 and the related disclosures in these financial statements.



INDEPENDENT AUDITOR'S REPORT
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Basis for Disclaimer of Opinion - Continued

(B) Valuation of certain investments in unlisted funds

As of 31 December 2024, an unlisted fund of HK\$146 million was included as financial assets at fair value through profit or loss in the financial statements of the Company. The management measured the fair values of the unlisted fund through applying a discount for lack of marketability to the value specified in the net asset value statements obtained from the external fund administrator. The discount for lack of marketability was estimated by the external valuer and by the management as at 31 December 2023 and 2024 respectively. The management determined that the fair values of this unlisted fund as of 31 December 2023 and 2024 amounted to HK\$138 million and HK\$146 million respectively, as included in financial assets designated to be measured at fair value through profit or loss as disclosed in Note 12 and recorded fair value gain of HK\$3 million and HK\$8 million in profit or loss for the years ended 31 December 2023 and 2024 respectively which were included in net loss on revaluation of trading securities and financial assets designated at fair value through profit or loss and derivatives disclosed in note 5 to the financial statements. We sent external confirmation requests to the fund administrator, specifically requesting them to provide information including nature of underlying assets and/or liabilities of the respective funds as well as the valuation approach adopted by the respective fund administrator to estimate the fair value of the funds as of 31 December 2023 and 2024. We received replies from the external fund administrator that provided information confirming the net assets values specified in the net asset value statements. However, the replies did not include other information requested that is necessary to allow us to evaluate the appropriateness of the valuation approach adopted by management to measure the fair values of such unlisted fund as of 31 December 2023 and 2024.

Due to the above scope limitation on our work, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the valuation, presentation and disclosure of the unlisted fund with the carrying amount of HK\$138 million as at 31 December 2023 and the fair value gain of HK\$3 million recognised in profit or loss for the year ended 31 December 2023 are free from material misstatement.

Accordingly, we modified our audit opinion on the Company's financial statements for the year ended 31 December 2023. For the same reasons as stated above, the scope limitation giving rise to the modification to 2023 audit opinion remains unresolved. As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the valuation, presentation and disclosure of the unlisted fund with the carrying amount of HK\$146 million as at 31 December 2024 and the fair value gain of HK\$9 million recognised in profit or loss for the year ended 31 December 2024 are free from material misstatement. Accordingly, we modified our opinion on the Company's financial statements for the year ended 31 December 2024. Any adjustments considered necessary on the financial statements for the year ended 31 December 2023 would affect the financial position as at 31 December 2023 and 2024, the financial performance for the year ended 31 December 2023 and 2024 and the related disclosures in these financial statements.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAHOE LIFE INSURANCE COMPANY LIMITED
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Basis for Disclaimer of Opinion - Continued

(C) Departure from Hong Kong Financial Reporting Standard ("HKFRS") 17 Insurance Contracts and HKFRS 9 Financial Instruments

As explained in note 2.1 to the financial statements, the Company adopted HKFRS 4 Insurance Contracts to account for insurance contracts and Hong Kong Accounting Standard 39: Financial Instruments: Recognition and Measurement to account for financial instruments. Under HKFRS Accounting Standards as issued by the HKICPA, HKFRS 17 Insurance Contracts and HKFRS 9 Financial Instruments became effective for annual reporting periods beginning on or after 1 January 2023 and an entity shall apply HKFRS 17 retrospectively with comparatives restated from the transition date, 1 January 2022. Accordingly, the financial statements of the Company for the year ended 31 December 2023 and comparative figures were materially misstated due to the departures from HKFRS 17 and HKFRS 9. The directors of the Company did not quantify the impact of the departures and it is also impracticable for us to quantify the financial effects on the financial statements.

We modified our opinion on the Company's financial statements for year ended 31 December 2023 because of these departures. For the year ended 31 December 2024, the directors did not correct these departures and continued to apply HKFRS 4 and HKAS 39 to account for insurance contracts and financial instruments respectively. Accordingly, the current period figures and the corresponding figures in the financial statements for the year ended 31 December 2024 were also materially misstated. The directors of the Company did not quantify the impact of the departures and it is also impracticable for us to quantify the financial effects on the financial statements. As a result, our opinion on the Company's financial statements for the year ended 31 December 2024 was also modified.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAHOE LIFE INSURANCE COMPANY LIMITED
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Material Uncertainty Related to Going Concern

We draw attention to the note 2.1.1 to the financial statements, which states that the Company has decided to voluntarily suspend the writing of new business since 8 February 2021 and started a strategic review of the Company's business. One of the review outcomes was to seek further capital support from potential new investors, and is still ongoing as at the date of the approval of the financial statements. In addition, during certain periods in the year 2023 and 2024, the Company's solvency ratios dropped below levels agreed with or prescribed by the Insurance Authority. Furthermore, the Insurance Authority invoked its powers under Section 35(2)(b) of the Insurance Ordinance (Cap.41) to appoint Managers to take full control of the affairs and property of the Company and Bermuda Monetary Authority obtained an order from the Supreme Court of Bermuda appointing provisional liquidators of the Company pursuant to the Bermuda Insurance Act 1978 and the Bermuda Companies Act 1981. As stated in note 2.1.1, these conditions, along with other matters set forth in the note 2.1.1 to the financial statements, indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAHOE LIFE INSURANCE COMPANY LIMITED
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Responsibilities of Directors and Audit Committee for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate no. P05443

Hong Kong, **31 OCT 2025**

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	2024 HK\$	2023 HK\$
<u>Income</u>			
Gross insurance premium income		817,538,232	1,044,213,195
Insurance premium ceded to reinsurers		(40,099,801)	(47,285,126)
Net insurance premium income		777,438,431	996,928,069
Investment and other income	5	349,958,249	1,134,735,852
Total Income		<u>1,127,396,680</u>	<u>2,131,663,921</u>
<u>Expenses</u>			
Gross claims, surrenders, interest and other insurance policy benefits		3,577,553,555	4,732,712,347
Amounts recoverable from reinsurers		(172,116,005)	(412,560,839)
Net claims, surrenders, interest and other insurance policy benefits		3,405,437,550	4,320,151,508
Decrease in future insurance liabilities under insurance contracts		(2,491,061,014)	(2,848,180,721)
Management and other expenses	6	291,579,669	245,916,580
Bad debt written off on amount due from a fellow subsidiary	16	-	2,479,210
Impairment loss on amount due from an intermediate holding company	16	105,600,000	-
Dividends to insurance policyholders		55,413,308	149,831,498
Finance cost	10	122,136	477,111
Total expense		<u>1,367,091,649</u>	<u>1,870,675,186</u>
(Loss)/profit before taxation		(239,694,969)	260,988,735
Taxation	7	(9,724,140)	(9,451,074)
(Loss)/profit after taxation		<u>(249,419,109)</u>	<u>251,537,661</u>

The notes on pages 22 to 90 are an integral part of these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK\$	2023 HK\$
(Loss)/profit after taxation and total comprehensive (expenses)/income for the year		<u>(249,419,109)</u>	<u>251,537,661</u>

The notes on pages 22 to 90 are an integral part of these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	2024 HK\$	2023 HK\$
Assets			
Property and equipment	9	5,192,282	9,492,827
Intangible assets	11	10,828,310	17,419,403
Right-of-use assets	10	5,856,852	5,757,799
Financial assets designated at fair value through profit or loss	12	16,069,444,627	17,916,820,668
Reinsurance assets and insurance debtors	13	945,060,508	1,513,672,317
Amounts due from a fellow subsidiary and an intermediate holding company	16/24	6,799,073	6,795,529
Other receivables and prepayments	14	178,909,642	188,705,940
Bank balances	15	732,785,012	1,636,421,365
Tax recoverable		-	39,194
Total assets		17,954,876,306	21,295,125,042
Liabilities			
Amount due to a fellow subsidiary	16/24	7,404,127	7,182,714
Liabilities under insurance contracts			
- insurance liabilities	17	12,580,494,333	15,304,356,258
- insurance creditors	19	4,577,320,256	4,803,423,546
Lease liabilities	10	6,383,937	4,337,690
Other payables	20	293,030,182	543,096,214
Current income tax liabilities	21	1,360,271	26,311
Total liabilities		17,465,993,106	20,662,422,733
Net assets		488,883,200	632,702,309

The notes on pages 22 to 90 are an integral part of these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	2024 HK\$	2023 HK\$
Equity			
Share capital	22	1,596,200,650	1,596,200,650
Reserves		(1,107,317,450)	(963,498,341)
Total equity		<u>488,883,200</u>	<u>632,702,309</u>

The financial statements on pages 15 to 90 were approved and authorised for issue by the Board of Directors on **31 OCT 2025** and were signed on its behalf by:



.....
Director
Feng Heping



.....
Director
Wong Yuen Sze Virginia

The notes on pages 22 to 90 are an integral part of these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Share Capital HK\$	Capital Reserve HK\$	Retained Earnings HK\$	Total HK\$
Balance on 1 January 2023	1,496,200,650	2,236,000,000	(3,451,036,002)	281,164,648
Issue of shares (Note 22)	100,000,000			100,000,000
Profit after taxation and total comprehensive income for 2023 - movement during the year	-	-	251,537,661	251,537,661
Balance on 31 December 2023	1,596,200,650	2,236,000,000	(3,199,498,341)	632,702,309
Balance on 1 January 2024, as per above	1,596,200,650	2,236,000,000	(3,199,498,341)	632,702,309
Shareholder's contribution for the year (Note 26)	-	105,600,000	-	105,600,000
Loss after taxation and total comprehensive expenses for 2024 - movement during the year	-	-	(249,419,109)	(249,419,109)
Balance on 31 December 2024	1,596,200,650	2,341,600,000	(3,448,917,450)	488,883,200

The notes on pages 22 to 90 are an integral part of these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK\$	2023 HK\$
Net cash outflow from operating activities	23	(1,655,438,179)	(5,408,396,605)
Investing activities			
Purchase of property and equipment	9	(1,225,755)	(4,135,753)
Purchase of intangible assets	11	(635,348)	(5,705,295)
Proceeds from disposal of property and equipment		130,000	-
Interest received		744,390,520	803,386,685
Dividend received		189,440,471	158,744,200
Net cash inflow from investing activities		932,099,888	952,289,837
Financing activities			
Proceeds from issue of shares		-	100,000,000
Distribution Agreement instalment payments	26	(105,600,000)	-
Repayment of lease liabilities		(4,283,851)	(16,142,874)
Net cash (outflow)/inflow from financing activities		(109,883,851)	83,857,126
Net decrease in cash and cash equivalents		(833,222,142)	(4,372,249,642)
Cash and cash equivalents on 1 January		1,566,007,154	5,938,256,796
Cash and cash equivalents on 31 December	15	732,785,012	1,566,007,154
Analysis of cash and cash equivalents on 31 December			
Fixed term deposits		126,178,847	724,316,384
Current and savings accounts		606,606,165	841,690,770
		732,785,012	1,566,007,154

The notes on pages 22 to 90 are an integral part of these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

Reconciliation of liabilities arising from operating and financing activities:

	Other payables HK\$ (Note 20)	Lease liabilities HK\$ (Note 10)	Total HK\$
Balances as of 1 January 2023	(488,131,863)	(18,708,586)	(506,840,449)
Cash flows from operating activities:			
Other payables	(41,289,301)	-	(41,289,301)
Cash flows from financing activities:			
Repayment of lease liabilities	-	16,619,985	16,619,985
Other non-cash movements	(13,675,050)	(2,249,089)	(15,924,139)
Balances as of 31 December 2023	(543,096,214)	(4,337,690)	(547,433,904)
Balances as of 1 January 2024, as above	(543,096,214)	(4,337,690)	(547,433,904)
Cash flows from operating activities:			
Other payables – Payment to a third party bank	186,060,288	-	186,060,288
Other payables - Others	(22,606,396)	-	(22,606,396)
Cash flows from financing activities:			
Distribution Agreement instalment payments	105,600,000	-	105,600,000
Repayment of lease liabilities	-	4,405,987	4,405,987
Other non-cash movements	(18,987,860)	(6,452,234)	(25,440,094)
Balances as of 31 December 2024	(293,030,182)	(6,383,937)	(299,414,119)

The notes on pages 22 to 90 are an integral part of these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activity of Tahoe Life Insurance Company Limited (the “Company”) is the writing of life and annuity direct insurance business. It also underwrites investment-linked policies. All these products are offered to the domestic market and the Company operates in Hong Kong.

The Company is a limited liability company incorporated in Bermuda and regulated under Insurance Ordinance (Cap. 41) in Hong Kong and Bermuda Insurance Act 1978 in Bermuda. Its registered office is 19/F, 1111 King’s Road, Taikoo Shing, Hong Kong.

The directors consider the immediate holding company is Thaihot Investment (Bermuda) Company Limited, a company incorporated in Bermuda, and the intermediate holding company is Everwin Enterprise (Hong Kong) Limited, a company incorporated in Hong Kong. The directors consider that the ultimate holding company is Tahoe Investment Group Company Limited, a company incorporated in the People’s Republic of China.

The Company’s financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 31 OCT 2025.

2 Summary of material accounting policy information

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the reporting years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong, except for HKFRS 9 “Financial Instruments” and HKFRS 17 “Insurance Contracts”. Therefore, the Company has prepared the financial statements in departure from the measurement and disclosure requirements under HKFRS 9 and HKFRS 17.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held for trading, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value; and future insurance liabilities which are measured using actuarial methods.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company’s financial statements therefore present the financial position and results fairly, except for financial instruments under HKFRS 9 and insurance contracts under HKFRS 17. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern assumption

As disclosed in Note 1, the Company is required to comply with the relevant laws and regulations in Hong Kong and Bermuda. During the year 2021 and up to the date of these financial statements, there were certain events or conditions which might cast doubt over the Company's ability to continue as a going concern. In forming the assessment and conclusion of the Company to continue as going concern for the preparation of these financial statements, the Board of Directors of the Company has given careful considerations to the following factors and developments of the Company:

- (a) The Board of Directors of the Company decided to voluntarily suspend the writing of new business since 8 February 2021 and started a strategic review of the Company's business. One of the review outcomes was to seek further capital support from potential new investors. Capital injections from new investors (if any) will require approvals from the Hong Kong Insurance Authority ("Insurance Authority") and the Bermuda Monetary Authority ("BMA").
- (b) The Company is in close discussion with the Insurance Authority and the BMA as part of their regulatory supervision over the Company, including the monitoring of the Company's solvency ratio to comply with the relevant laws and regulations.

During certain periods in the year 2023 and 2024, the Company's solvency ratios under Hong Kong regulations dropped below levels agreed with the Insurance Authority. This was due to increased market interest rates that produced unrealised losses on the Company's fixed income investments. However, the opposite effect on part of the Company's insurance liabilities could not be reflected by the application of a higher discount rate because of the requirement of the Hong Kong insurance solvency valuation rules applicable at that time. In addition, prior to the effective date of the new Hong Kong Risk Based Capital ("HKRBC") on 1 July 2024, certain insurance liabilities must be valued at a minimum of the cash surrender value which was higher than under the new HKRBC basis as explained below.

In April and September 2023, the Board of Directors of the Company submitted a solvency improvement plan to the Insurance Authority. The Company carried out certain measures from that plan to improve its solvency ratio, including but not limited to, obtaining a cash injection of HK\$100 million from the shareholder during 2023. A total of HK\$400 million was injected from the shareholder from 2021 to 2023.

On 30 June 2024, the Company's solvency ratio under applicable Hong Kong regulations was above the statutory solvency requirements. On 1 July 2024, HKRBC became effective as the basis of calculating the solvency requirements in Hong Kong and the Company's solvency ratio under the HKRBC basis was estimated to be above the minimum capital requirement. As of 30 June 2025, the Company continues to have a solvency ratio that is above the minimum capital requirement.

Throughout the period described above, the Board of Directors of the Company has assessed that the Company's solvency ratios were above the statutory solvency requirements in Bermuda and it maintained regular communication with the BMA on this and other related matters.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern assumption (Continued)

- (c) Everwin Enterprise (Hong Kong) Limited (“Everwin”) is an intermediate holding company which indirectly holds 100% shares of the Company. On 27 October 2021, a creditor of Everwin commenced a winding up petition (the “Petition”) against Everwin. A winding up order (the “Order”) was made by the Hong Kong High Court (the “Court”) on 2 June 2022. Such Order was subsequently rescinded by the Court on 8 August 2022 after joint application by the creditor and Everwin as a settlement agreement had been reached. On 23 July 2024, the creditor of Everwin commenced another winding up petition against Everwin. A winding up order (the “Second Order”) was made by the Court on 28 October 2024. The Court appointed the Joint and Several Liquidator of Everwin on 8 May 2025. The Board of Directors of the Company considers the Second Order and the appointment of the Joint and Several Liquidator of Everwin would not impact the financial position of the Company.
- (d) The Company entered into a 15-year exclusive distribution agreement with a third party bank with effect from 19 June 2017 (the “Distribution Agreement”), pursuant to which the Company appointed the third party bank as its non-exclusive insurance agent for the distribution of life insurance products in Hong Kong.

On 8 July 2022, the Company received a formal notice from the third party bank to terminate the Distribution Agreement with immediate effect. The Board of Directors of Company considers that the parties to the agreement ought to continue to perform their obligations thereunder. The Company engaged legal advisors and entered into an arbitration process with the third party bank. In August 2024, the Arbitral Tribunal handed down the decision that the Distribution Agreement has been duly terminated and the Company to pay a total sum of HK\$186 million to the third party bank. The intangible asset related to Distribution Agreement was fully written off in 2022.

The Company historically adopted a multi-distribution business model, and this enables its continued service to the in-force policyholders without material disruption to the fulfilment of the Company’s contractual obligations under its insurance contracts. If the Company were to resume the writing of new business (which will be subject to the prior approval of the Insurance Authority and the BMA), the Company will focus on acquiring business in the open market through brokers and tied agency channels. The Board of Directors of the Company considers the Company will be financially sustainable through this distribution strategy and the absence of the Distribution Agreement will not be an obstacle to achieve that goal.

- (e) The Board of Directors of the Company has reviewed the liquidity projection of the Company for a period of twelve months after the date of approval of these financial statements and is satisfied that the Company will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern assumption (Continued)

- (f) On 26 July 2024, the Insurance Authority invoked its powers under Section 35(2)(b) of the Insurance Ordinance (Cap.41) to appoint Managers to take full control of the affairs and property of the Company. On the same date (Bermuda time), the BMA obtained an order from the Supreme Court of Bermuda appointing joint provisional liquidators of the Company pursuant to the Bermuda Insurance Act 1978 and the Bermuda Companies Act 1981. The Managers and the Board of Directors of the Company consider the appointments of Managers and joint provisional liquidators would not affect the Company to operate as a going concern.

There are inherent uncertainties associated with the outcomes of the plan, measures, strategic review, and the consequence arising from any non-compliance of the Company's solvency under the relevant laws and regulations in Hong Kong. These indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Having considered the above, the Board of Directors of the Company is of the view that it is appropriate to prepare the financial statements on a going concern basis. In preparing these financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed, as explained in Note 2.1. Should the Company be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Company's assets to their recoverable amounts and provide for further liabilities which might arise. The effects of these adjustments have not been reflected in these financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Incident related to related party transactions

Under Section 35(1) of the Insurance Ordinance, the Company is required not to provide financial assistance to any related party without firstly obtaining written consent from the Insurance Authority. During the year 2020, the Company became aware of certain matters relating to the Company's investments acquired in 2019 and 2020. The Company undertook a review of the nature, business rationale and commercial substance of certain investments, and the Company's exposures to related parties are as follows:

In 2019, the Company purchased one unlisted debt security for HK\$235 million and two unlisted private funds for HK\$703 million (total original cost of HK\$938 million). In 2020, the Company purchased two unlisted private funds for a total original cost of HK\$776 million. Subsequent to the investment, the Company has later noted that these unlisted private funds and the issuer of the unlisted debt security have investments in certain notes issued by a fellow subsidiary of the Company. These investments have been classified by the Company as fair value through profit or loss. As of 31 December 2023 and 2024, the fair value of those investments (including a note issued by a fellow subsidiary of the Company received after settlement of an unlisted fund in July 2024) amounted to HK\$102 million and HK\$47 million, respectively. The decrease in the fair value recognized in the income statement for the year ended 31 December 2023 and 2024 were HK\$135 million and HK\$12 million, respectively.

Included in the unlisted private funds of HK\$776 million invested in 2020 above was a fund with a carrying value of HK\$nil as of 31 December 2024 (2023: HK\$5 million). In 2021, the Company has been informed by the fund manager of such unlisted private fund that the fund had temporarily suspended the payment of investors' requests for redemption of their investment in the fund.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Incident related to related party transactions (Continued)

In 2019, the Company invested into an unlisted debt security with original cost of HK\$391 million. In 2021, the issuer of the security informed the Company of its proposal to settle the maturity payment through the transfer to the Company of a note issued by a fellow subsidiary of the Company. The Company rejected the proposed physical settlement as this is not in accordance with the contract terms. This investment has been classified by the Company as fair value through profit or loss. As of 31 December 2023 and 2024, the fair value of this security amounted to HK\$9 million and HK\$3 million, respectively. The decrease in the fair value recognized in the income statement for the year ended 31 December 2023 and 2024 were HK\$34 million and HK\$6 million, respectively.

In 2023, the Company received information that an unlisted fund invested in 2019 as disclosed above (with an original cost of HK\$392 million) has invested in a note issued by a fellow subsidiary of the Company. As of 31 December 2023, the fair value of this investment amounted to HK\$47 million. In July 2024, the Company signed a settlement agreement with the fund manager and subsequently received the underlying assets, including HK\$42 million of cash and the note issued by a fellow subsidiary of the Company. As of 31 December 2024, the fair value of the note issued by a fellow subsidiary of the Company amounted to HK\$3 million.

The Company is required to disclose the nature of related party transactions, the relationship, as well as information about those transactions and outstanding balances. As noted above, the Company has identified certain investments in debt securities and private investment funds with linkage to certain notes issued by a fellow subsidiary of the Company, details of which are disclosed in Note 24 to the financial statements.

2.1.3 Amended standards adopted by the Company

The following amendments to standards have been adopted by the Company for the first time for the financial year ended 31 December 2024:

- Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to HKAS 1 – Non-current Liabilities with Covenants
- Amendments to HKAS 16 – Lease Liability in a Sale and Leaseback
- Amendments to HK Int 5(Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements

The adoption of the above amended standards effective from 1 January 2024 do not have any material impact on the Company's accounting policies.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.4 Changes in other accounting policies

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund - Long Service Payment offsetting mechanism in Hong Kong

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“the Amendment Ordinance”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“MPF”) scheme to offset severance payment (“SP”) and long service payments (“LSP”) (“the Abolition”). Subsequently, the Government of Hong Kong Special Administrative Region (“HKSAR”) announced that the Abolition will take effect on 1 May 2025 (“the Transition Date”).

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.4 Changes in other accounting policies (Continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund - Long Service Payment offsetting mechanism in Hong Kong (Continued)

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the last month's salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" ("the Guidance") in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2023 and 2024, the Company's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the financial statements of the Company.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

2.1.5 New standards and interpretations not yet adopted

The Company has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

- Lack of Exchangeability - amendments to HKAS 21¹
- Classification and Measurement of Financial Instruments - amendments to HKFRS 9 and HKFRS 7²
- Annual improvements to HKFRS - Accounting Standards - Volume 11- HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7²
- Presentation and Disclosure in Financial Statements - HKFRS 18³
- Subsidiaries without Public Accountability: Disclosure - HKFRS 19³
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - amendments to HKFRS 10 and HKAS 28⁴

Note:

- 1 Effective for annual periods beginning on or after 1 January 2025.
- 2 Effective for annual periods beginning on or after 1 January 2026.
- 3 Effective for annual periods beginning on or after 1 January 2027.
- 4 Effective for annual periods beginning on or after a date to be determined

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have material impacts on the Company's result of operations and financial position. While HKFRS 18 will not change recognition criteria or measurement bases, the standard is expected to change the presentation and disclosures of the Company's financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.2 Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the relevant entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in the statement of comprehensive income within the corresponding item.

In the case of changes in the fair value of foreign currency denominated monetary assets classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the assets and other changes in the carrying amount of the assets. Translation differences related to changes in the amortised cost are recognised in the income statement, and those related to changes in the carrying amount, except for impairment, are recognised in equity. Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on certain other non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.3 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives as follows:

- Computer hardware	3 - 7 years
- Furniture and equipment	10 years
- Fixture and office decoration	2 - 4 years
- Motor car	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within management and other expenses, in the income statement.

TAHOE LIFE INSURANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.4 Intangible assets

Intangible assets comprise computer software, agent's sign-on fee and club membership. Except for club memberships (see Note 2.4.3), they are stated at cost less accumulated amortisation and impairment losses.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7(a) for the accounting policy on impairment).

2.4.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful life of five to seven years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

2.4.2 Sign-on fee

The costs directly attributable to securing rights to receive insurance agents' services are recognised as an intangible asset where they can be identified separately and measured reliably and it is probable that they will be recovered. These costs are amortised over the contractual period with the respective insurance agents which normally range from one year to six years.

2.4.3 Club memberships

Club memberships which are intended to be held on a continuing basis are classified as non-current assets. The memberships are stated at costs less accumulated impairment losses.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.5 Employee benefits

2.5.1 Pension obligations

The Company offers a mandatory provident fund scheme and a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. These pension plans are funded by payments from employees and by the Company.

The Company's contributions to the mandatory provident fund schemes and defined contribution retirement schemes are expensed as incurred. Other than mandatory provident fund contributions, the Company's contributions may be reduced by contributions forfeited by those employees who leave prior to vesting fully in the contributions.

2.5.2 Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

2.5.3 Bonus plans

Liabilities for bonus plans due wholly within twelve months after the end of the reporting period are recognised when the Company has a present or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.6 Financial assets

2.6.1 Classification

The Company classified its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the nature of the investments and the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, except for subsequent reclassification meeting specified definition of relevant asset reclassification.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise two categories:

- financial assets designated at fair value through profit or loss upon initial recognition; and
- financial assets classified as held for trading.

TAHOE LIFE INSURANCE COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.6 Financial assets (Continued)

2.6.1 Classification (Continued)

(a) Financial assets at fair value through profit or loss (Continued)

Management designates financial assets at fair value through profit or loss if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back unit-linked contracts and participating funds; and
- other financial assets managed on a fair value basis; consisting of the Company's equity portfolio and investments held by the Company's investment funds.

Financial assets classified as held for trading include financial assets acquired principally for the purpose of selling them in the near future and those that form part of a portfolio of financial assets in which there is evidence of short-term profit taking, as well as derivative assets and liabilities.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

2.6.2 Reclassification

The Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses before reclassification date are subsequently made.

TAHOE LIFE INSURANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.6 Financial assets (Continued)

2.6.3 Recognition and measurement

Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

The bases for the determination of fair value of financial assets are set out in Note 3(b).

(a) Financial assets at fair value through profit or loss

Gains and losses arising from changes in fair value of financial assets held for trading and financial assets designated at fair value at inception are included directly in the income statement and are reported as part of “Investment income and other income”. Interest income and expense derived from and incurred on financial assets at fair value through profit or loss are included under “Investment income and other income”.

(b) Loans and receivables

Loans and receivables are carried at amortised cost less any impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.7 Impairment of assets

(a) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(b) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables and held-to-maturity financial assets (other than those relating to insurance contracts covered by the liability adequacy test), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

TAHOE LIFE INSURANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.9 Cash and cash equivalents

For the purpose of the cashflow statement, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognised as a liability in the financial statements in the period in which they are approved by the shareholder.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.11 Insurance and investment contracts

(i) Classification

The Company issues contracts that transfer insurance risk or both insurance risk and financial risk. Insurance contracts are those contracts that transfer significant insurance risk. Such contract may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

(ii) Recognition and measurement

Long-term insurance contracts: non-unit linked

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

Policy benefits comprise maturity benefits and guaranteed cash payment. Maturity benefits are provided for as and when the payment obligations fall due. Guaranteed cash payments are provided for as when the payment obligations fall due. Interest on dividend and guaranteed cash payment is accumulated at interest rates determined periodically by the Company. Non-guaranteed payments include dividends payable to insurance policyholders.

Liabilities for claims and surrenders are accounted for on notification in the case of death, accident and surrenders.

The future insurance liabilities under insurance contracts comprises policyholders' reserves for future benefits of life insurance contracts which are established in amounts considered adequate to meet the estimated future obligations of policies in force or paid up. The liabilities are recalculated at each balance sheet date using the assumptions established as at the valuation date.

Up to 30 June 2024, they are determined by taking the difference between the present value of the sums assured and the present value of future net premiums and are calculated by the appointed actuary on the basis of relevant assumptions which comply with the requirements of the Hong Kong Insurance Companies (Determination of Long Term Liabilities) Regulation.

TAHOE LIFE INSURANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.11 Insurance and investment contracts (Continued)

(ii) Recognition and measurement (Continued)

Long-term insurance contracts: unit-linked

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of investment funds with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts, the future insurance liabilities under insurance contracts, is adjusted for all changes in the fair value of the underlying assets.

Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances of policyholders and excess benefit claims incurred in the period are charged as expenses in the income statement.

The future insurance liabilities under insurance contracts include the policyholders' reserves of the unit-linked funds in respect of the Company's linked long term business.

Up to 30 June 2024, they are determined by using the valuation set out above and are calculated by the appointed actuary on the basis of relevant assumptions which comply with the requirements of the Hong Kong Insurance Companies (Determination of Long Term Liabilities) Regulation.

TAHOE LIFE INSURANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.11 Insurance and investment contracts (Continued)

(ii) Recognition and measurement (Continued)

Long-term insurance contract under HKRBC regime which is effective from 1 July 2024

On 1 July 2024, the HKRBC regime became effective, following the commencement of the Insurance (Amendment) Ordinance 2023 and the relevant subsidiary legislations, including the Insurance (Valuation and Capital) Rules (Cap.41R) (the “Rules”) which specified the rules for valuing insurance liabilities. In accordance with the Company’s accounting policy, the measurement technique used to calculate insurance liabilities for the financial statements was amended to the method applied under the HKRBC regime from 1 July 2024.

The Company has also reviewed its accounting policy and decided to evolve it such that rather than aligning to the Rules with no adjustment, certain minimum floors would be applied for the purpose of estimating insurance liabilities, inclusive of a margin of prudence that is consistent with the Company’s accounting policy. This aligns with how the business is managed and ensures that the insurance liabilities recognised are adequate to meet future policyholders’ obligation and their reasonable expectations, providing more reliable and relevant information. Depending on the product, the minimum floor is set at the policyholders’ asset share, fund balance or guarantee surrender value. This revised accounting policy for the introduction of minimum floors did not have any impact to the reported 2023 insurance liabilities and thus no prior year restatement is required.

Non-unit linked long-term insurance liabilities are determined in accordance with the Rules by the appointed actuary with reference to relevant best estimate assumptions, including expenses, mortality, morbidity and other policyholder behaviour plus a risk margin in accordance with the Rules.

Unit-linked long term insurance liabilities consist of the unit liabilities, i.e. the fair value of the policyholders' units in the linked funds, and non-unit liabilities established for any embedded guarantees or insurance benefits not covered by the unit fund value. They are determined by the appointed actuary using best-estimate assumptions plus a risk margin in accordance with the Rules.

(iii) Embedded derivatives

The Company does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative.

(iv) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future cash flows relating to insurance contracts and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used.

TAHOE LIFE INSURANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.11 Insurance and investment contracts (Continued)

(v) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirement for insurance contracts are classified as reinsurance contracts held. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company decides whether an insurance receivable is impaired based on its age and relevant information on the financial health of the counterparty. If the Company deems an insurance receivable to be impaired a full and specific provision will be made against the balance in question.

(vi) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers, intermediaries, insurance contract holders and reinsurers.

2.12 Provisions

Provisions for legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision for restoration costs is recognised when: the Company requires to reinstate the premises at the end of the lease. The eventual costs relate to the restoration of the alterations made to the premises. At the end of each reporting period, the provision shall be reviewed and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.13 Revenue recognition

Revenue is recognised in the income statement as follows:

(i) Premiums

Premiums are recognised as revenue when they become due. Reinsurance premiums are accounted for on the same basis as gross premiums.

(ii) Interest income

Interest income for financial assets is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(iii) Dividend income

Dividends are recognised in the income statement when the Company's right to receive payment is established.

(iv) Gains/losses on revaluation of financial assets at fair value through profit or loss

Gains/losses on revaluation of financial assets at fair value through profit or loss are recognised in the period of remeasurement.

(v) Reinsurance recoveries for claims and benefits

Claims and benefits are accounted for on notification of claims or when benefits become payable. Liabilities to policyholders under long-term insurance contracts are the amount recognised for future claims and benefits of life insurance contracts as estimated by appointed actuary in compliance with regulatory requirements. Reinsurance recoveries are accounted for on the same basis as the related claims or benefits.

(v) Fees and other income

Fees and other income include reinsurance commissions, fund management fee income and other policy income that are recognised as the services rendered.

2.14 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.14 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- makes adjustment specific to the lease, e.g. lease term.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.15 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder.

TAHOE LIFE INSURANCE COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.17 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Company
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of material accounting policy information (Continued)

2.17 Business combinations (continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Where the acquisition of assets/liabilities do not constitute a business under HKFRS 3 "Business Combinations", the transaction is accounted for as an acquisition at fair value at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are periodically evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The Company bases these estimates on standard industry mortality tables that reflect recent historical mortality experience with margin, adjusted where appropriate to reflect the Company's own experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. A main source of uncertainty is that epidemics such as AIDS, SARS and wide ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk offset by continuing improvements in medical care and social conditions, and reinsurance arrangements.

For contracts without fixed terms, the Company will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimate of critical illness related morbidity is based on industry data with margin, adjusted where appropriate to reflect the Company's own experience. The uncertainty is greater than mortality due to a smaller pool of insured, shorter history of the coverage, medical advances and change in treatment as well as wide-ranging lifestyle changes, such as in eating, smoking and exercise habits.

The Company reserves the right to increase the premium rates in future years for all contracts providing such coverage during the premium term.

Estimate of lapse and surrender is based on an analysis of the Company's own historical experience, segmented by product type, policy duration, and distribution channel, and adjusted where appropriate.

For long-term insurance contracts, assumptions compliant with regulatory requirement are used to determine the liabilities. These assumptions are reviewed at least annually to ensure the assumptions used still meet regulatory requirements and the liabilities remain adequate.

For details of the key assumptions used and the impact of changes to these assumptions, please refer to Note 18 of the financial statements.

TAHOE LIFE INSURANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(b) Fair value of financial assets and liabilities

For financial assets traded in active markets, the determination of fair value is based on quoted market prices, dealer price quotations or broker quotes from Bloomberg and Reuters. The quoted market price used for financial assets held by the Company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in bid-offer spread or there are few recent transactions.

In the normal course of business, the Company invests in certain short to long term investment grade bonds and investment funds. These investments are classified in the financial statements under the "fair value through profit or loss" category. As these instruments are traded over-the-counter and there is no active secondary market, the management has assessed their fair values with reference to prices quoted by valuations received from custodians.

The fair value of financial instruments that do not have observable transactions are first determined with reference to the fair value quoted by the custodian or the net asset value quoted by the fund managers. For the year ended 31 December 2023, the Company engages an independent external valuer to support management's assessment of the reasonableness of the fair value quoted by the custodian or the net asset value quoted by the fund managers. In the event where the management considers the valuation provided by the independent external valuer is more appropriate, the fair value of financial instruments is determined based on the valuations provided by the independent external valuer. For the year ended 31 December 2024, the Company performed internal valuation to support management's assessment of the reasonableness of the fair value quoted by the custodian or the net asset value quoted by the fund managers. In the event where the management considers the internal valuation is more appropriate, the fair value of financial instruments is determined based on the internal valuations. For details of the key assumptions used and the impact of changes to these assumptions see Note 3(d).

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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates, and judgements in applying accounting policies (continued)

(c) Fair value hierarchy

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level	Descriptions
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity (for example, Hong Kong Stock Exchange, New York Stock Exchange) and exchanges traded derivatives like futures.
2	Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in inactive markets and valued using models where all significant inputs are observable. This level includes the majority of debt instruments. The sources of input parameters include LIBOR yield curve, or Bloomberg and Reuters for counterparty credit risk.
3	Inputs for the asset or liability where one or more of the significant inputs is not based on observable market data (unobservable inputs).

The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(c) Fair value hierarchy (Continued)

Financial assets and liabilities measured at fair value:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
On 31 December 2024				
Descriptions				
Financial assets designated at fair value through profit or loss				
Debt securities	-	13,406,746,549	40,887,000	13,447,633,549
Equity securities	2,259,766,933	-	-	2,259,766,933
Investment funds	-	145,618,469	216,425,676	362,044,145
Total financial assets measured at fair value	2,259,766,933	13,552,365,018	257,312,676	16,069,444,627

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NOTES TO THE FINANCIAL STATEMENTS**(c) Fair value hierarchy (Continued)**

Financial assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
On 31 December 2023				
Descriptions				
Financial assets designated at fair value through profit or loss				
Debt securities	-	14,973,548,914	42,461,389	15,016,010,303
Equity securities	2,273,209,593	-	-	2,273,209,593
Investment funds	-	173,972,789	453,627,983	627,600,772
Total financial assets measured at fair value	2,273,209,593	15,147,521,703	496,089,372	17,916,820,668

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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(d) Financial instrument in level 3

(i) Fair value measurements using significant unobservable inputs (level 3)

The following table below set out a summary of changes in the Company's level 3 assets measured at fair value through profit or loss on a recurring basis for the years ended 31 December 2024 and 2023:

	Debt securities HK\$	Unlisted investment funds HK\$	Total HK\$
Balance on 1 January 2024	42,461,389	453,627,983	496,089,372
Acquisitions through redemption of the fund	2,670,384	-	2,670,384
Disposals/Maturity/Repayment	-	(186,400,315)	(186,400,315)
Gains/(losses) recognised in profit or loss as "Investment and other income"	(4,244,773)	(50,801,992)	(55,046,765)
Balance on 31 December 2024	40,887,000	216,425,676	257,312,676

	Debt securities HK\$	Unlisted investment funds HK\$	Total HK\$
Balance on 1 January 2023	94,505,360	551,052,360	645,557,720
Disposals/Maturity/Repayment	-	(1,913,089)	(1,913,089)
Gains/(losses) recognised in profit or loss as "Investment and other income"	(52,043,971)	(95,511,288)	(147,555,259)
Balance on 31 December 2023	42,461,389	453,627,983	496,089,372

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NOTES TO THE FINANCIAL STATEMENTS

**3 Critical accounting estimates, and judgements in applying accounting policies
(Continued)**

(d) Financial instrument in level 3 (continued)

(ii) Transfers

The Company's accounting policy is to recognise the transfers of assets and liabilities between level 1 and level 2 fair value as at end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of level 1 when they are no longer transacted with sufficient frequency and volume in an active market, and vice versa. During the years ended 31 December 2024 and 31 December 2023, there were no transfer of assets measured at fair value between level 1 and level 2.

During the years ended 31 December 2024 and 31 December 2023, there were no transfer of assets measured from level 2 to level 3.

(iii) Valuation processes for level 3 investments

The Company's management reviews the valuations performed internally and performed by the independent valuer for the financial reporting purpose for the year ended 31 December 2024 and 2023 respectively. Discussion of the valuation process and results are held internally and between management and the independent valuer for the purpose of preparation of financial statements for the year ended 31 December 2024 and 2023 respectively. As of 31 December 2024, the fair value of the unlisted investment funds amounted to HK\$189,153,069 (2023: HK\$234,209,296) and the fair value of unlisted debt securities amounted to HK\$7,283,250 (2023: HK\$13,747,851) have been determined by internal valuation (2023: with the assistance of an independent external valuer).

For the purposes of determining the fair value of the investments above, management:

- Verifies all major inputs to the internal valuation or the independent valuation report;
- Assess valuation movement; and
- Holds discussion internally or with the independent valuer to determine the fair value of level 3 financial assets.

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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(d) Financial instruments in level 3 (Continued)

(iv) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value HK\$	Valuation Technique	Unobservable inputs	Input	Reasonable possible shift	Change in profit or loss/equity HK\$
31 December 2024						
Financial assets at fair value through profit or loss – unlisted fund investments	42,804,808	Market benchmark approach	Median price for list of defaulted offshore bonds issued by Chinese property developers without restructuring plan	US\$0.75	10%/ -10%	495,261/ (495,261)
Financial assets at fair value through profit or loss – unlisted fund investments	27,272,607	Net asset value	Net asset value of the fund	US\$3,510,530	5%/-5%	1,363,630/ (1,363,630)

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3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(d) Financial instruments in level 3 (Continued)

(iv) Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value HK\$	Valuation Technique	Unobservable inputs	Input	Reasonable possible shift	Change in profit or loss/equity HK\$
31 December 2024						
Financial assets at fair value through profit or loss – unlisted fund investments	146,348,261	Adjusted Net asset value	Discount on lack of marketability	6.66%	10%/ -10%	(1,042,315)/ 1,042,315
Financial assets at fair value through profit or loss – unlisted debt securities	7,283,250	Market benchmark approach	Median price for list of defaulted offshore bonds issued by Chinese property developers without restructuring plan	US\$0.75	10%/ -10%	499,878/ (499,878)
Financial assets at fair value through profit or loss – unlisted debt securities	33,603,750	NA	Fair value provided by custodian	NA	NA	NA
	<u>257,312,676</u>					

Note:

The valuation of unlisted investment funds of HK\$189,153,069 and unlisted debt securities HK\$7,283,250 are determined based on internal valuation.

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3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(d) Financial instruments in level 3 (Continued)

(iv) Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value HK\$	Valuation Technique	Unobservable inputs	Input	Reasonable possible shift	Change in profit or loss/equity HK\$
<u>31 December 2023</u>						
Financial assets at fair value through profit or loss – unlisted fund investments	49,407,402	Black-Scholes Model	Preferred value for defaulted offshore bonds by the same issuer	US\$2.2	+1%/ -1%	227,401/ (227,401)
Financial assets at fair value through profit or loss – unlisted fund investments	47,011,214	Net asset value less dissolving fees	Net asset value net off dissolving fees of the fund	US\$6,018,376	+5%/ -5%	2,350,561/ (2,350,561)
Financial assets at fair value through profit or loss – unlisted fund investments	219,418,687	Net asset value	Net asset value of the fund	US\$28,089,982	+5%/ -5%"	10,970,934/ (10,970,934)

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3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(d) Financial instruments in level 3 (Continued)

(iv) Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value HK\$	Valuation Technique	Unobservable inputs	Input	Reasonable possible shift	Change in profit or loss/equity HK\$
31 December 2023						
Financial assets at fair value through profit or loss – unlisted fund investments	137,790,680	Adjusted Net asset value	Discount on lack of marketability	5.72%	+10%/ -10%	(835,369) / 835,369
Financial assets at fair value through profit or loss – unlisted debt securities	13,747,851	Black-Scholes Model	Preferred value for defaulted offshore bonds by the same issuer	US\$2.2	+1%/ -1%	137,479/ (137,479)
Financial assets at fair value through profit or loss – unlisted debt securities	28,713,538	NA	Fair value provided by custodian	NA	NA	NA
	<u>496,089,372</u>					

Note:

The valuation of unlisted investment funds of HK\$234,209,296 and unlisted debt securities HK\$13,747,851 are determined with the assistance from an independent external valuer.

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3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(d) Financial instruments in level 3 (Continued)

(v) Change in valuation technique

For the year ended 31 December 2024, the Company changed the valuation technique for the investments in unlisted fund investments and unlisted debt securities from Black-Scholes Model to market benchmark approach. The management determined that the market benchmark approach, utilizing median price for list of defaulted offshore bonds issued by Chinese property developers without restructuring plan, provides a more reliable and representative measure of the fair value for investments in unlisted fund investments and unlisted debt securities.

(e) Impairment assessment on intangible assets

At each balance sheet date, the Company reviews internal and external sources of information to identify indications that intangible assets may be impaired. Management judgment is required in the assessment of impairment on intangible assets, particularly as to whether: (1) an event has occurred that may affect its value; (2) the carrying value of the asset can be supported by the net present value of projected future cash flows generated from the asset; (3) the cash flows are discounted using an appropriate rate. An impairment loss on the intangible asset is recognised whenever the carrying amount of the intangible asset exceeds its recoverable amount.

(f) Consolidation of unlisted investment funds

Management have reviewed the unlisted investment funds held as at year end. Based on the contractual agreements with the respective fund managers of these funds, the Directors have determined that the Company does not control these funds.

The unlisted investment funds are not controlled by the Company because the Company does not have the ability to affect those returns from these funds. The Company has no voting right at the general meeting of these funds. The investment managers of these funds have full discretionary investment management authority and the Company has no right to appoint or remove the investment managers, or instruct the fund managers to act on its behalf in managing the assets.

Details of the Company's interest in these unlisted investment funds are included in Note 28 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates, and judgements in applying accounting policies (Continued)

(g) Going concern

The assessment of the going concern assumption involves making a judgement by the Board of the Company, at the end of the reporting period, about the future outcome of events or conditions, which are inherently uncertain. The Board of the Company considers that the Company has the capabilities to continue as a going concern and the major events and conditions, which may give rise to business risks, that individually or collectively may cast doubt upon the going concern assumption and related mitigating measures taken by management are set out in Note 2.1.1.

4 Management of insurance and financial risk

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with discretionary participating features, the participating nature of these contracts results in a significant portion of the insurance and financial risks being shared with the insured party.

The Company charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk. Delays in implementing increases in charges, and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

The risk associated with lapse and surrender is generally mitigated by the application of surrender charges. Expense risk can generally be managed through expense control.

The Company manages these risks through its underwriting strategy, expense control and reinsurance arrangements.

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. Premium pricing is set at an appropriate level that corresponds with the underlying exposure of the risks underwritten. The Company has a company-wide retention limit on any single life insured. The Company reinsures the excess of the insured benefit over the limit for standard risks (from a medical point of view) under an excess of loss reinsurance treaty arrangement and on certain policies, reinsures all the mortality risks.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

The Company is subject to concentration risk arising from accidents or epidemics on policies taken out by its policyholders. Therefore, to cover the risk, catastrophe reinsurance arrangements have been made by the Company.

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NOTES TO THE FINANCIAL STATEMENTS

4 Management of insurance and financial risk (Continued)

(b) Sources of uncertainty in the estimate of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses relevant industry tables of standard mortality or reinsurance's morbidity and adjust these according to the type of contract being written. An investigation into the actual experience of the Company is carried out annually. Realistic estimates of future mortality are made based on standard industry tables adjusted for the Company's overall experience.

(c) Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities (investment contracts, if applicable, and borrowing). In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk, credit risk, liquidity risk and insurance risk.

These risks include open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and other contracts by reference to the type of benefits payable to contract holders. For each distinct category of liability, a separate portfolio of assets is maintained. The Company has established a policy on market risk which sets out the principles that the business is expected to adopt in respect of management of the key market risks to which the Company is exposed. The Company monitors adherence to this market risk policy through the Investment Committee.

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NOTES TO THE FINANCIAL STATEMENTS

4 Management of insurance and financial risk (Continued)

(c) Financial risk (Continued)

(i) Interest rate risk and equity price risk

Interest rate risk has a materially different impact across the assets and liabilities. Except for cash and bank balances, all interest bearing financial assets are carried at fair value. The Company monitors interest rate risk by calculating the mean duration of the investment portfolio, the liabilities issued and insurance liabilities. Any gap between the mean durations of the assets and the liabilities is reduced by means of buying and selling fixed interest securities of appropriate durations.

	2024		2023	
	Impact on profit arising from fair value through profit or loss	Impact on total equity arising from available-for-sales financial assets	Impact on profit arising from fair value through profit or loss	Impact on total equity arising from available-for-sales financial assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
+10 basis points parallel shift in yield curves	(33,465)	-	(79,735)	-
-10 basis points parallel shift in yield curves	37,741	-	77,081	-

Equity price risk

	2024		2023	
	Impact on profit arising from fair value through profit or loss	Impact on total equity arising from available-for-sales financial assets	Impact on profit arising from fair value through profit or loss	Impact on total equity arising from available-for-sales financial assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
10 per cent increase in equity prices	130,206	-	164,619	-
10 per cent decrease in equity prices	(132,801)	-	(157,479)	-

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NOTES TO THE FINANCIAL STATEMENTS

4 Management of insurance and financial risk (Continued)

(c) Financial risk (Continued)

(ii) Credit risk (Continued)

The credit risk on financial assets comprising debts and cash and cash equivalents, of the Company is generally the carrying amount, which is net of any provisions. Net exposure limits are set for each counterparty or group of counterparties in relation to investments, cash deposits and forward foreign exchange exposures. Credit risk exposures are calculated regularly and compared with authorised credit limits before further transactions are undertaken with each counterparty.

To manage credit risk, the Company transacts with counterparties under strict guidelines covering the limits and terms and does not expect such counterparties with strong credit ratings to fail to meet their obligations.

The following tables provide information regarding the aggregate credit risk exposure and credit rating (based mainly on S&P's rating) of debt securities and bank balances at the balance sheet date.

As of 31 December 2024

	Credit Rating					Total HK\$
	AAA HK\$	AA- to AA+ HK\$	A- to A+ HK\$	Rated but Below A- HK\$	Unrated HK\$	
Debt securities designated at fair value through profit or loss	2,507,841,324	1,642,312,702	5,872,573,700	3,402,855,560	22,050,263	13,447,633,549
Bank balances and time deposit	-	135,464,437	360,510,763	236,766,374	43,438	732,785,012

As of 31 December 2023

	Credit Rating					Total HK\$
	AAA HK\$	AA- to AA+ HK\$	A- to A+ HK\$	Rated but Below A- HK\$	Unrated HK\$	
Debt securities designated at fair value through profit or loss	2,112,030,283	1,946,057,549	6,909,770,806	4,011,365,429	36,786,236	15,016,010,303
Bank balances and time deposit	-	755,216,295	244,868,794	636,290,900	45,376	1,636,421,365

The carrying amount in respect of relevant asset classes in the statement of financial position represents the maximum amount of credit exposure.

Debt securities financial assets as at the balance sheet dates are neither past due nor impaired.

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NOTES TO THE FINANCIAL STATEMENTS**4 Management of insurance and financial risk (Continued)****(c) Financial risk (Continued)****(ii) Credit risk (Continued)**

The Company manages its exposure to credit risk by dealing with reputable counterparties, such as financial institutions with high credit ratings and are governed by regulatory bodies including the Hong Kong Monetary Authority and the Hong Kong Insurance Authority. The risk of default repayments is not considered to be significant. As of 31 December 2024, the Company's reinsurers have credit ratings of A or above (2023: credit ratings of A or above).

(iii) Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from benefit payments. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company manages this risk by monitoring projected and actual cash flows regularly by ensuring that a reasonable amount of financial assets is kept in liquid instruments at all times.

The following tables analyse the contractual / expected timing of cash outflows:

As of 31 December 2024

	Contractual cash flows (undiscounted)					
	Undated HK\$	Within 1 year HK\$	1-5 years HK\$	Over 5 years HK\$	Trading HK\$	Total HK\$
Amount due to a fellow subsidiary	(7,404,127)	-	-	-	-	(7,404,127)
Liabilities under insurance contracts						
- future insurance liabilities	-	(1,713,436,631)	(2,766,838,129)	(30,989,393,021)	-	(35,469,667,781)
- insurance creditors	(4,512,279,661)	(65,040,595)	-	-	-	(4,577,320,256)
Lease liabilities	-	(4,816,200)	(1,747,814)	-	-	(6,564,014)
Other payables	(125,327,189)	(75,368,363)	(108,494,299)	-	-	(309,189,851)

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NOTES TO THE FINANCIAL STATEMENTS

4 Management of insurance and financial risk (Continued)

(c) Financial risk (Continued)

(iii) Liquidity risk (Continued)

As of 31 December 2023

	Contractual cash flows (undiscounted)					
	Undated HK\$	Within 1 year HK\$	1-5 years HK\$	Over 5 years HK\$	Trading HK\$	Total HK\$
Amount due to a fellow subsidiary	(7,182,714)	-	-	-	-	(7,182,714)
Liabilities under insurance contracts						
- future insurance liabilities	-	(2,488,292,339)	(3,708,728,101)	(34,407,806,955)	-	(40,604,827,395)
- insurance creditors	(4,770,889,382)	(32,534,164)	-	-	-	(4,803,423,546)
Lease liabilities	-	(4,367,150)	-	-	-	(4,367,150)
Other payables	(100,562,462)	(316,658,191)	(158,400,000)	-	-	(575,620,653)

(iv) Currency risk

Liabilities are denominated in two main currencies, United States dollar and Hong Kong dollar which amount to HK\$9,935,282,884 (2023: HK\$12,452,405,833) and HK\$7,367,721,383 (2023: HK\$7,978,654,454) respectively. The Company adopts a policy of predominately matching the liabilities with assets in the same currency, effectively reducing the exposure to foreign currency exchange rate fluctuations. The net foreign currency exposure is kept to a level acceptable by management by using currency derivatives. As of 31 December 2024, the Company had less than 5% (2023: less than 5%) of total investments denominated in currencies other than United States dollar and Hong Kong dollar. The Company views the currency mismatch risk is minimal as long as the Hong Kong dollar is pegged to the United States dollar.

NOTES TO THE FINANCIAL STATEMENTS

4 Management of insurance and financial risk (Continued)

(d) Capital management

The Company's objectives when managing capital are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Company's ability to continue its business as a going concern;
- To maximise returns to shareholders and optimise the benefits to other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The local insurance regulation specifies the minimum amount and type of capital that must be held by an insurance company relative to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Company has embedded in its ALM framework the necessary tests to monitor the capital adequacy. In the event of any deviation, capital improvement plan will be implemented, which may include derisking strategies, dynamic ALM actions or capital injection if necessary, to restore the capital to the required levels.

For the year ended 31 December 2023 and up to 30 June 2024, the required margin of solvency for the Company is determined by the Company's appointed actuary in accordance with the Hong Kong Insurance (Margin of Solvency) Rules. In addition, a dynamic solvency test is also required by the Insurance Authority of Hong Kong to identify the solvency position of the Company on a going concern basis and plausible threats to maintaining a satisfactory financial condition.

Effective from 1 July 2024, following the commencement of the Insurance (Amendment) Ordinance 2023 and the relevant subsidiary legislations, the prescribed capital amount for the Company is determined by the Company's appointed actuary in accordance with the Cap. 41R. In addition, a scenario and stress test is also required by the Insurance Authority of Hong Kong to identify the solvency position of the Company plausible threats to maintaining a satisfactory financial condition.

The Company's objective when managing capital is to comply with the applicable insurance regulatory capital requirements in accordance with the Insurance Ordinance which must be maintained at all times.

As of 31 December 2023, the Company manages the net assets as the capital (HKIO basis) amounted to HK\$723,124,709, which is greater than the required margin of solvency of HK\$604,177,136, as determined in accordance with the Insurance (Margin of Solvency) Rules.

As of 31 December 2024, under the current regulatory framework, the Company manages the net assets as the capital (HKRBC basis) amounted to HK\$1,251,292,080, which is lower than the prescribed capital amount of HK\$1,553,350,471, as determined in accordance with the Cap. 41R. The capital base of the Company is higher than the minimum capital amount, being 50% of the prescribed capital amount; and HK\$20,000,000 as of 31 December 2024.

Subsequent to 31 December 2024, the Company has taken the actions mentioned aforementioned to improve the capital position.

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5 Investment and other income

	2024 HK\$	2023 HK\$
Interest income	737,956,069	802,333,323
Dividend income	189,121,637	159,089,361
Net (loss)/gain on revaluation of trading securities and financial assets designated at fair value through profit or loss and derivatives	(417,264,950)	138,966,377
Net (loss)/gain on disposal of trading securities and financial assets designated at fair value through profit or loss and derivatives	(64,065,902)	30,170,871
Investment handling charges and other expenses	<u>(21,728,154)</u>	<u>(7,866,477)</u>
Investment income	424,018,700	1,122,693,455
Net exchange (loss)/gain	(75,817,320)	7,669,887
Miscellaneous income	<u>1,756,869</u>	<u>4,372,510</u>
Investment income and other income	<u>349,958,249</u>	<u>1,134,735,852</u>
Listed investment income	312,066,009	865,319,893
Unlisted investment income	<u>111,952,691</u>	<u>257,373,562</u>
Investment income	<u>424,018,700</u>	<u>1,122,693,455</u>

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6 Management and other expenses

	2024	2023
	HK\$	HK\$
Depreciation (Note 9)	4,462,133	8,868,661
Amortisation of intangible assets (Note 11)	7,226,441	10,017,701
Commission expenses and other intermediaries' compensation	214,454	6,848,310
Auditor's remuneration		
-Statutory audit	4,000,000	2,780,000
-Under-provision for prior years audit	2,300,000	-
-Other services	4,319	4,405
Professional fees	141,134,059	57,982,164
Service fee paid to a fellow subsidiary (Note 24(i))	-	39,979
Commissions recoverable from reinsurers	(41,319,504)	(35,725,036)
Management fees and recovery of service costs from a fellow subsidiary (Note 24(i))	(49,594)	(449,593)
Advertising and promotion expenses	267,184	799,894
Lease depreciation charge (Note 10)	6,142,446	14,635,288
Employee benefit expenses	93,893,276	102,806,277
Provision for impairment of other receivables (Note 14)	134,420	110,340
Release of provision for impairment of other receivables due to repayment (Note 14)	(2,000)	(16,000)
Loss on disposal of property and equipment	1,064,167	693,126
Income from disposal of motor car	(130,000)	-
Computer expenses	28,554,597	30,305,906
Penalty fee	5,716,647	15,307,457
Other operating expenses	37,966,624	30,907,701
	<u>291,579,669</u>	<u>245,916,580</u>

7 Taxation

Hong Kong Profits Tax has been provided for at the rate of 8.25% on the estimated assessable profit up to HK\$2,000,000 and 16.5% on any part of estimated assessable profit over HK\$2,000,000 for the year ended 31 December 2023 and 2024. For life insurance business, the assessable profit for the year has been arrived at using the deemed 5% of premiums method based on net premium income. For service fee income, the assessable profit for the year is based on the service fee income received less the relevant expenses incurred.

	2024	2023
	HK\$	HK\$
Current income tax:		
Hong Kong profits tax	<u>9,724,140</u>	<u>9,451,074</u>

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7 Taxation (Continued)

The taxation on the Company's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2024 HK\$	2023 HK\$
(Loss)/profit before taxation	<u>(239,694,969)</u>	<u>260,988,735</u>
Calculated at tax rate of 8.25% for the first 2 million assessable profit thereafter in (2023: same tax rate applied)	(39,384,670)	42,898,141
Different tax treatment of the results of the life insurance business	<u>49,108,810</u>	<u>(33,447,067)</u>
	<u>9,724,140</u>	<u>9,451,074</u>

As of 31 December 2024, the Company has no estimated accumulated tax losses (2023: Nil) which are available for set-off against future assessable profit.

In November 2023, the Company received a tax demand notice from the IRD requesting for additional tax payables of HK\$7.5 million for the year ended 31 December 2022. The 2022 tax position has been finalized on 27 August 2025 and the additional tax paid has been fully refunded.

8 Directors' emoluments

	2024 HK\$	2023 HK\$
Fees	1,233,284	859,178
Other emoluments:		
- Salaries and others	7,248,111	6,887,076
- Pension	<u>31,500</u>	<u>34,500</u>
	<u>8,512,895</u>	<u>7,780,754</u>
Aggregate emoluments of the three highest paid directors	<u>7,279,611</u>	<u>7,321,576</u>

For the year ended 31 December 2024 and 31 December 2023, all the directors' remuneration are paid by the Company directly.

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9 Property and equipment

Property and equipment comprise computer hardware, furniture, office equipment and motor car.

	2024				
	Computer Hardware	Furniture and Office Equipment	Fixture and Office Decoration	Motor Car	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
On 1 January	48,347,847	4,337,618	22,348,201	765,000	75,798,666
Additions	198,212	13,743	1,013,800	-	1,225,755
Disposals	(1,638,244)	(2,106,564)	-	(765,000)	(4,509,808)
On 31 December	46,907,815	2,244,797	23,362,001	-	72,514,613
Accumulated depreciation					
On 1 January	43,302,410	1,841,890	20,396,539	765,000	66,305,839
Charge for the year (Note 6)	2,010,259	340,166	2,111,708	-	4,462,133
Disposals	(1,637,358)	(1,043,283)	-	(765,000)	(3,445,641)
On 31 December	43,675,311	1,138,773	22,508,247	-	67,322,331
Net book value					
On 31 December	3,232,504	1,106,024	853,754	-	5,192,282

	2023				
	Computer Hardware	Furniture and Office Equipment	Fixture and Office Decoration	Motor Car	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
On 1 January	46,912,356	5,157,809	20,027,127	765,000	72,862,292
Additions	1,435,491	379,188	2,321,074	-	4,135,753
Disposals	-	(1,199,379)	-	-	(1,199,379)
On 31 December	48,347,847	4,337,618	22,348,201	765,000	75,798,666
Accumulated depreciation					
On 1 January	38,238,931	1,835,248	17,104,252	765,000	57,943,431
Charge for the year (Note 6)	5,063,479	512,895	3,292,287	-	8,868,661
Disposals	-	(506,253)	-	-	(506,253)
On 31 December	43,302,410	1,841,890	20,396,539	765,000	66,305,839
Net book value					
On 31 December	5,045,437	2,495,728	1,951,662	-	9,492,827

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10 Leases

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2024 HK\$	2023 HK\$
Right-of-use assets		
Office premises	<u>5,856,852</u>	<u>5,757,799</u>
Lease liabilities		
Current	4,646,907	4,337,690
Non-current	<u>1,737,030</u>	<u>-</u>
	<u>6,383,937</u>	<u>4,337,690</u>

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2024 HK\$	2023 HK\$
Depreciation charge of right-of-use assets		
Office premises	(6,142,446)	(14,635,288)
Others	<u>-</u>	<u>-</u>
	<u>(6,142,446)</u>	<u>(14,635,288)</u>
Interest expense (included in finance cost)		
Office premises	(122,136)	(477,111)

The total cash outflow for leases for the year ended 31 December 2024 was HK\$4,405,987 (2023: HK\$16,619,985).

(iii) The Company's leasing activities

The Company leases various offices premises where rental contracts are typically made for fixed periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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11 Intangible assets

Intangible assets comprise computer software, club memberships and the sign-on fee that was transferred from Tahoe Services Limited in 2019.

Impairment review for computer software is undertaken whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

The computer software of HK\$10,005,310 is tested for impairment by the Board of Directors of the Company by estimating its recoverable amounts based on value-in-use calculation. The computer software is allocated to the underwriting business as one cash generating unit ("CGU"). Based on the impairment assessment results, the recoverable amount of CGU is higher than the carrying amount of the CGU. The Board of Directors of the Company believes that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable of the CGU as of 31 December 2024 and 2023.

The sign-on fee represents the Company's contractual right to benefit from receiving insurance agents' services. They can be identified separately and measured reliably and it is probable that they will be recovered.

The Company's club memberships are assessed as having indefinite useful life because there is no time limit that the Company can enjoy the services provided by the clubs. The recoverable amounts of the club memberships are determined on the basis of fair values less costs of disposal by reference to market price as of 31 December 2024 and 2023, which are categorised as level 2 in fair value hierarchy.

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11 Intangible assets (Continued)

	2024			
	Computer Software HK\$	Sign-on Fee HK\$	Club Memberships HK\$	Total HK\$
Cost				
On 1 January	140,560,395	34,028	823,000	141,417,423
Additions	635,348	-	-	635,348
On 31 December	141,195,743	34,028	823,000	142,052,771
On 1 January				
- Amortisation charge	123,963,992	34,028	-	123,998,020
- Impairment charge	-	-	-	-
Amortisation charge for the year (Note 6)	7,226,441	-	-	7,226,441
On 31 December	131,190,433	34,028	-	131,224,461
Net book value				
Cost	141,195,743	34,028	823,000	142,052,771
Accumulated amortisation	131,190,433	34,028	-	131,224,461
Accumulated impairment	-	-	-	-
On 31 December	10,005,310	-	823,000	10,828,310

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11 Intangible assets (Continued)

	2023			
	Computer Software HK\$	Sign-on Fee HK\$	Club Memberships HK\$	Total HK\$
Cost				
On 1 January	134,855,100	34,028	823,000	135,712,128
Additions	5,705,295	-	-	5,705,295
On 31 December	140,560,395	34,028	823,000	141,417,423
On 1 January				
- Amortisation charge	113,946,291	34,028	-	113,980,319
- Impairment charge	-	-	-	-
Amortisation charge for the year (Note 6)	10,017,701	-	-	10,017,701
On 31 December	123,963,992	34,028	-	123,998,020
Net book value				
Cost	140,560,395	34,028	823,000	141,417,423
Accumulated amortisation	123,963,992	34,028	-	123,998,020
Accumulated impairment	-	-	-	-
On 31 December	16,596,403	-	823,000	17,419,403

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12 Financial assets designated at fair value through profit or loss

	2024	2023
	HK\$	HK\$
Financial assets designated at fair value through profit or loss:		
Debt securities		
Fixed interest securities		
Issued by overseas government bodies	3,049,292,124	3,139,681,036
Other listed	6,475,149,529	6,917,022,101
Other unlisted	2,878,217,015	3,227,711,598
Variable interest securities		
Issued by overseas government bodies	-	36,147,203
Other listed	206,375,657	1,111,069,490
Other unlisted	838,599,224	584,378,875
	<u>13,447,633,549</u>	<u>15,016,010,303</u>
Other investments		
Listed equity shares	2,259,766,933	2,273,209,593
Unlisted investment funds	<u>362,044,145</u>	<u>627,600,772</u>
	<u>2,621,811,078</u>	<u>2,900,810,365</u>
Total	<u>16,069,444,627</u>	<u>17,916,820,668</u>
Total financial assets designated at fair value through profit or loss	<u>16,069,444,627</u>	<u>17,916,820,668</u>

Refer to Notes 3(b) and 3(f) for details of management judgement made in relation to valuation of certain investments and consolidation of unlisted investment funds.

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13 Reinsurance assets and insurance debtors

	2024 HK\$	2023 HK\$
Direct business		
Insurance policy loans (Note (a))	155,779,312	155,773,516
Interest receivables on policy loans	4,966,867	5,036,652
Insurance premiums receivable	26,581,086	34,814,645
Reinsurance contracts		
- claims and others	220,378,521	517,230,676
- future insurance liabilities (Note 17)	537,354,722	800,816,828
	<u>945,060,508</u>	<u>1,513,672,317</u>
Current portion	407,705,786	712,855,489
Non-current portion	<u>537,354,722</u>	<u>800,816,828</u>
	<u>945,060,508</u>	<u>1,513,672,317</u>

Note (a): Policy loans are secured by insurance contracts.

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14 Other receivables and prepayments

	2024 HK\$	2023 HK\$
Settlement accounts	364,946	-
Accrued investment income	248,745,655	255,498,940
Deposits	1,854,483	3,863,749
Prepayments	16,101,621	16,675,985
Other receivables	511,159	286,747
Others	437,703	1,352,024
	<u>268,015,567</u>	<u>277,677,445</u>
Less: Provision for impairment of other receivables	(311,551)	(177,131)
Less: Provision for impairment of accrued investment income	<u>(88,794,374)</u>	<u>(88,794,374)</u>
	<u>178,909,642</u>	<u>188,705,940</u>
	2024 HK\$	2023 HK\$
Current portion	178,723,657	188,300,634
Non-current portion	<u>185,985</u>	<u>405,306</u>
	<u>178,909,642</u>	<u>188,705,940</u>

The interest receivables from two unlisted debt securities included in accrued investment income were past due as of 31 December 2024 and an impairment loss of HK\$88,794,374 (2023: HK\$88,794,374) has been provided for as at year end.

Other receivables represent the clawback of commissions and allowances from insurance agents that were terminated with the Company, in which case, the insurance agents are due to repay the Company according to the contractual terms. As of 31 December 2024, other receivables of HK\$511,159 are unsecured (2023: HK\$286,747).

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NOTES TO THE FINANCIAL STATEMENTS

14 Other receivables and prepayments (Continued)

The ageing analysis of other receivables based on the termination date of each insurance agent as at end of the year is as follows:

	2024 HK\$	2023 HK\$
Balance on 1 January	286,747	70,479
Additions	224,412	219,956
Repayments	(2,000)	(16,000)
Recovery of bad debt written off/(bad debt written off)	2,000	12,312
	<u>511,159</u>	<u>286,747</u>
Balance on 31 December		
Within 1 year	224,412	219,956
After 1 year but within 2 years	219,956	-
After 2 years but within 3 years	-	66,791
Over 3 years	66,791	-
	<u>511,159</u>	<u>286,747</u>

Provision for impairment of other receivables

	2024 HK\$	2023 HK\$
Balance on 1 January	177,131	70,479
Impairment charged to income statement (Note 6)	134,420	110,340
Recovery of bad debt written off/(release due to bad debt written off)	2,000	12,312
Release due to repayment (Note 6)	(2,000)	(16,000)
	<u>311,551</u>	<u>177,131</u>
Balance on 31 December		

Provision for impairment of accrued investment income

	2024 HK\$	2023 HK\$
Balance on 1 January	88,794,374	88,794,374
Impairment charged to income statement	-	-
	<u>88,794,374</u>	<u>88,794,374</u>
Balance on 31 December		

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15 Bank balances and short term bank deposit

	2024 HK\$	2023 HK\$
Bank balances		
Fixed term deposits	126,178,847	794,730,595
Current and savings accounts	606,606,165	841,690,770
Fixed term deposits with maturity more than 3 months	-	(70,414,211)
Cash and cash equivalents		
per cash flow statement (Note a)	732,785,012	1,566,007,154

Note a:

During the year, certain bank balances and short-term bank deposit of the Company amounting to approximately HK\$31,415 (2023: HK\$79,023) are deposited with banks in the People's Republic of China ("PRC"). The remittance of these bank balances out of PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

16 Amounts due from / (to) a fellow subsidiary and an intermediate holding company

The amount due from a fellow subsidiary of HK\$6,799,073 (2023: HK\$6,795,529) and amount due to a fellow subsidiary of HK\$7,404,127 (2023: HK\$7,182,714) are unsecured, current, interest free, have no fixed terms for repayment. During the year, no bad debt written off on amount due from a follow subsidiary (2023: HK\$2,479,210).

The amount due from an intermediate holding company is current, interest free, have no fixed terms for repayment and is secured by a 72.25% assigned interest in an unlisted fund in accordance with the Limited Partnership Interest Charge Agreement entered into between the intermediate holding company and the Company dated 17 September 2020. As of 31 December 2024, the fair value of the 72.25% assigned interest in the fund is nil (2023: HK \$nil).

The amount due from an intermediate holding company was past due as of 31 December 2024 and an impairment loss of HK\$369,600,000 (2023: HK\$264,000,000) has been provided for as at year end, taking into consideration the timing and amount expected to recover from the intermediate holding company.

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NOTES TO THE FINANCIAL STATEMENTS

17 Insurance liabilities under insurance contracts

	2024 HK\$	2023 HK\$
Long-term business		
Long term insurance contracts, non-current		
- Gross	12,580,494,333	15,304,356,258
- Reinsurance (Note 13)	<u>(537,354,722)</u>	<u>(800,816,828)</u>
	<u>12,043,139,611</u>	<u>14,503,539,430</u>
Includes unit-linked fund value	<u>148,254,471</u>	<u>176,638,836</u>
	2024 HK\$	2023 HK\$
At beginning of year	14,503,539,430	17,334,011,238
Valuation premium	652,752,870	688,797,258
Liabilities released for payments on death and other terminations in the year	(3,423,122,668)	(4,238,841,667)
Accretion of interest	674,022,962	657,410,975
Change in valuation assumption	99,605,120	(149,536,180)
Net exchange differences	(52,135,628)	12,261,771
Change in special dividend reserve	(3,270,627)	1,835,437
Net change in reinsurance reserve	255,763,829	392,184,661
Change in unit-linked reserve	(28,382,535)	(85,781,616)
Other movements	(176,197,488)	(108,802,447)
Change in reserving basis	<u>(459,435,654)</u>	<u>-</u>
At end of year	<u>12,043,139,611</u>	<u>14,503,539,430</u>

Other movements include other policy movements (e.g. coupon payments), Zillmer adjustment and prudence of margin movements.

The change in reserving basis is the impact of the adoption of HKRBC with margin of prudence when the HKRBC regime became effective on 1 July 2024. The total impact is to decrease the insurance liabilities under insurance contracts by HK\$459,435,654 as of 1 July 2024.

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18 Assumptions and sensitivity of long-term insurance contracts

Estimates are made in calculating the future insurance liabilities under insurance contracts.

For the year ended 31 December 2023, the assumptions are determined by reference to the provisions of the Hong Kong Insurance (Determination of Long-Term Liabilities) Rules. With effect from 1 July 2024, the assumptions are determined with reference to the requirements of HKRBC.

The assumptions used for the insurance contracts disclosed in this note are as follows:

- **Mortality:**
For the year ended 31 December 2023 and 2024, an appropriate table of standard mortality is chosen with adjustment for the Company's own experience with appropriate margins.
- **Valuation interest rates:**
For the year ended 31 December 2023 and up to 30 June 2024, the valuation interest rates were determined using a blending-rate approach, which combined the yields earned from the current portfolio with those expected from future investments based on current market spot and past three-year average of the reserving reference.

As at 31 December 2023, the valuation interest rates for major products (namely whole life products) which constitute approximately 77% of total net insurance liabilities range from 3.81% to 4.88% whereas for all other products (mainly short-term products) the valuation interest rates range from 0.00% to 5.21% depending on type of plans and denominated currencies, and vary with the changes in the appropriate risk free rates and the portfolio yields of their backing assets.

Effective 1 July 2024, risk-free yield curves are derived following the methodology specified by Cap. 41R with portfolio-specified matching adjustment added to the risk-free yield curve as applicable.

As at 31 December 2024, the risk-free spot rates range from 4.08% to 4.90% for USD and from 3.60% to 3.88% for HKD. The portfolios eligible for matching adjustment include the long-term insurance policies excluding unit linked. The matching adjustments are 70 basis points for participating business, 7 basis points for short-term endowment, 44 basis points for non-participating business, and 26 basis points for fund-on-deposit business.

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NOTES TO THE FINANCIAL STATEMENTS

18 Assumptions and sensitivity of long-term insurance contracts (Continued)

Change in assumption

Valuation interest rates in 2023 changed by -0.73% to +0.93% depending on the types of plans and currency of denomination from 31 December 2022 to 31 December 2023. The risk-free spot rates used to determine the valuation interest rates changed by -0.59% to +0.84% from 31 December 2023 to 31 December 2024. The valuation interest rates changed because of changes in market interest rates and the change in methodology.

The overall impact from the change in valuation interest rates on the future insurance liabilities balance and the statutory profit under insurance contracts as at 31 December 2024 is a HK\$320,802,174 reduction in liabilities and HK\$320,802,174 increase in profit respectively (2023: HK\$25,995,628 reduction in liabilities and HK\$25,995,628 increase in profit respectively).

Sensitivity analysis

The following table represents the sensitivity of value of future insurance liabilities under insurance contracts to movements in the key assumptions used in the estimation of future insurance liabilities under insurance contracts.

	Change in variable	2024		2023	
		Change in future insurance liabilities (HK\$'000)	Change in net profit (HK\$'000)	Change in future insurance liabilities (HK\$'000)	Change in net profit (HK\$'000)
Worsening of mortality	1.0%	+3,163	-3,163	+6,172	-6,172
Decrease in valuation interest rates	0.1%	+125,883	-125,883	+31,310	-31,310

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated – for example, change in interest rate and change in market values; change in lapses and future mortality.

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19 Insurance creditors under insurance contracts

	2024 HK\$	2023 HK\$
Direct business:		
Premium deposit and advance premium	27,871,549	53,625,704
Cash payments	2,557,116,738	2,588,316,736
Dividends to policyholders	1,113,479,137	1,194,926,049
Claims, maturity benefits and claim expenses	79,219,007	84,577,124
	<u>3,777,686,431</u>	<u>3,921,445,613</u>
Advanced receipt of coinsurance contract (Note (a))	58,755,488	90,422,400
Reinsurance deposit (coinsurance fund) (Note (b))	675,837,742	759,021,369
Reinsurance contracts ceded	65,040,595	32,534,164
	<u>4,577,320,256</u>	<u>4,803,423,546</u>

Insurance creditors under insurance contracts are current liabilities.

Liabilities for unpaid guaranteed cash payments and dividends are repayable to policyholders on demand and accrue interest based on interest rates determined at the discretion of the Company.

Note (a)

Advanced receipt of coinsurance contract and reinsurance deposit (coinsurance fund) are related to a financial reinsurance contract entered into with a reinsurer of the Company on 31 December 2019. Advanced receipt of coinsurance contract is the initial commission received from the reinsurer and is amortised based on the cash flows and the terms of the financial reinsurance contract and any unamortised amount is repayable upon termination of the financial reinsurance contract. Reinsurance deposit represents liabilities associated with the ceded block of business to the reinsurer.

Note (b)

As of 31 December 2024, the corresponding reinsurance assets of HK\$511,942,580 (2023: HK\$588,630,215) for the reinsurance deposit (coinsurance fund) has been included in the reinsurance assets of HK\$537,354,722 (2023: HK\$800,816,828) as disclosed in Note 13.

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20 Other payables

	2024	2023
	HK\$	HK\$
Settlement account	-	77,786
Distribution Agreement	142,240,335	242,453,775
Sales compensation	9,886,023	10,629,918
Staff expenses	14,141,570	13,350,346
Production bonus	30,714	30,714
Professional fee	58,353,007	24,285,722
Provision for a third party bank	8,098,242	180,468,630
Others	60,280,291	71,799,323
	<u>293,030,182</u>	<u>543,096,214</u>
Current	195,308,996	400,855,883
Non-current	<u>97,721,186</u>	<u>142,240,331</u>
	<u>293,030,182</u>	<u>543,096,214</u>

21 Current income tax liabilities

Current income tax liabilities comprise of taxation payable of HK\$1,360,271 as of 31 December 2024 (2023: taxation payable of HK\$26,311) and is attributable to the long term business.

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22 Share capital

Authorised:

	2024		2023	
	Number of shares	Share capital HK\$	Number of shares	Share capital HK\$
On 1 January	204,933,431	1,596,200,650	192,112,919	1,496,200,650
Addition (Note)	<u>-</u>	<u>-</u>	<u>12,820,512</u>	<u>100,000,000</u>
On 31 December	<u>204,933,431</u>	<u>1,596,200,650</u>	<u>204,933,431</u>	<u>1,596,200,650</u>

Note:

The sole member of the Company has resolved by written resolution on 25 April 2023 that the authorised share capital be increased from US\$192,112,919 to US\$204,933,431 by the creation of an additional 12,820,512 shares with a par value of US\$1.00 each ranking pari-passu in all respects with the existing shares of the Company. The registration of the increase in authorised share capital with the relevant authority in Bermuda has been completed on 12 May 2023.

Issued and fully paid:

	2024		2023	
	Number of shares	Share capital HK\$	Number of shares	Share capital HK\$
On 1 January	204,933,431	1,596,200,650	192,112,919	1,496,200,650
Issue of shares (Note)	<u>-</u>	<u>-</u>	<u>12,820,512</u>	<u>100,000,000</u>
On 31 December	<u>204,933,431</u>	<u>1,596,200,650</u>	<u>204,933,431</u>	<u>1,596,200,650</u>

Note:

A total of 12,820,512 shares were issued at par of US\$1 each to the sole member of the Company during the year of 2023. The shares rank pari-passu with the existing shares. The new shares were issued to increase the paid-up capital of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

23 Note to cash flow statement

Reconciliation of profit/(loss) before taxation to net cash inflow from operating activities:

		2024	2023
	Notes	HK\$	HK\$
(Loss)/profit before taxation		(239,694,969)	260,988,735
Adjustments for:			
Income from disposal of motor car	6,9	(130,000)	-
Loss on disposal of intangible assets/ property and equipment	6,9,11	1,064,167	693,126
Depreciation	6,9	4,462,133	8,868,661
Amortisation of intangible assets	6,11	7,226,441	10,017,701
Lease depreciation charge and interest expense	10	6,264,582	15,112,399
Provision for impairment of other receivables	6	134,420	110,340
Provision for a third party bank impairment loss on amount due from the intermediate holding company		8,098,242	-
		105,600,000	-
Net exchange loss/(gain)	5	75,817,320	(7,669,887)
Dividend income	5	(189,121,637)	(159,089,361)
Interest income	5	(737,956,069)	(802,333,323)
Net loss/(gain) on revaluation and disposal of financial assets and liabilities	5	481,330,852	(169,137,248)
Unwinding of other payables at subsequent measurement		10,978,217	13,570,098
Operating loss before changes in working capital		(465,926,301)	(828,868,759)
Change in future insurance liabilities under insurance contracts		(2,723,861,925)	(3,222,656,469)
Change in reinsurance assets and insurance debtors		568,611,809	136,127,721
Change in amounts due from a fellow subsidiary and an intermediate holding company		(3,544)	3,996,939
Change in other receivables and prepayments		2,908,593	(8,107,221)
Change in insurance creditors		(226,103,290)	212,362,447
Change in other payables		22,606,396	41,289,301
Change in amount due to a fellow subsidiary		221,413	6,046
Change in financial assets designated at fair value through profit or loss		1,290,227,869	(1,688,264,198)
Change in derivative financial instruments		-	3,904,665
Change in bank deposits with maturity more than 3 months		70,414,211	(70,414,211)
Payment to a third party bank		(186,060,288)	-
Interest paid for lease		(122,136)	(477,111)
Cash inflow from operating activities		(1,647,087,193)	(5,421,100,850)
Taxation			
Hong Kong Profits Tax refunded/(paid)		(8,350,986)	12,704,245
Net cash outflow from operating activities		(1,655,438,179)	(5,408,396,605)

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NOTES TO THE FINANCIAL STATEMENTS

24 Related party transactions

(i) Income and expenses

In accordance with the General Agency Agreement and the two addendums to this General Agency Agreement entered into between the Company and Tahoe Services Limited (“TSL”), the Company has agreed to pay a service fee to TSL, which includes the cost of those administration and other supporting functions with a profit mark-up based on the agreement and addendums.

Transactions pursuant to the agreement and addendums are summarised below:

	2024 HK\$	2023 HK\$
Service fee paid to TSL	-	39,979

In 2019, the Company performed a corporate reorganisation to transfer employees and agents employed under TSL to the Company. The Company provided certain administration and supporting service to a fellow subsidiary, Tahoe Life Insurance Company (Macau) Limited (“TLIM”) in return for a fee in accordance with the Service Agreement entered into between the companies.

	2024 HK\$	2023 HK\$
Service fee received from TLIM	3,544	401,450
Service fee received from TSL	46,050	48,143

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NOTES TO THE FINANCIAL STATEMENTS

24 Related party transactions (Continued)

- (ii) Investment in financial assets where the performance, value and risk of which are directly linked or correlated to notes issued by a fellow subsidiary of the Company

As of 31 December 2024 and 2023, the Company held interest in the following financial assets whose performance, value and risk are directly linked or correlated to notes issued by a fellow subsidiary of the Company.

Category of financial assets	Original cost HK\$	Fair value HK\$	Nature of related party transactions
<u>31 December 2024</u>			
Financial assets designated at fair value through profit or loss			
- Unlisted investment funds	1,086,953,637	42,804,808	The funds collectively held a notional amount of US\$135,000,000 in debts linked to the performance of certain guaranteed senior notes issued by a fellow subsidiary of the Company.
- Unlisted debt securities	390,825,000	2,913,300	The underlying asset of the debt included a notional amount of US\$50,000,000 in debt issued by a fellow subsidiary of the Company.
- Unlisted debt securities	234,495,000	1,747,980	The underlying asset of the debt included a notional amount of US\$30,000,000 in debt issued by a fellow subsidiary of the Company.
- Unlisted debt securities	2,670,384	2,621,970	Notional amount of US\$45,000,000 debt issued by a fellow subsidiary of the Company that was transferred in from the redemption of an unlisted investment fund.
<u>31 December 2023</u>			
Financial assets designated at fair value through profit or loss			
- Unlisted investment funds	1,478,628,637	96,418,616	The funds collectively held a notional amount of US\$180,000,000 in debts linked to the performance of certain guaranteed senior notes issued by a fellow subsidiary of the Company.
- Unlisted debt securities	390,825,000	8,592,407	The underlying asset of the debt included a notional amount of US\$50,000,000 in debt issued by a fellow subsidiary of the Company.
- Unlisted debt securities	234,495,000	5,155,444	The underlying asset of the debt included a notional amount of US\$30,000,000 in debt issued by a fellow subsidiary of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

24 Related party transactions (Continued)

(iii) Balances with group companies

	2024	2023
	HK\$	HK\$
Expense recoverable from a fellow subsidiary (Note 16)	6,799,073	6,795,529
Expense payable to a fellow subsidiary (Note 16)	7,404,127	7,182,714
Receivable from an intermediate holding company (Note 16)	-	-

Amount due from an intermediate holding company amounting to HK\$52,800,000, HK\$52,800,000, HK\$52,800,000, HK\$52,800,000, HK\$52,800,000 and HK\$105,600,000 was past due by 2,367 days, 2,035 days, 1,665 days, 1,291 days, 860 days and 53 days respectively. These amounts are considered impaired and impairment of HK\$369,600,000 has been provided for, taking into consideration the timing and amount expected to recover from the intermediate holding company.

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25 Contingent liabilities and commitments

- (a) The Company, like all other insurers, is subject to the risk of litigation in the normal course of its business. The Company does not expect that such litigation will have a material effect on its profit or loss and financial condition.
- (b) Capital commitments

Capital expenditure in respect of projects and acquisition of computer software as of 31 December but not yet incurred is as follows:

	2024	2023
	HK\$	HK\$
Expenditure contracted but not provided for	<u>2,554,717</u>	<u>1,079,054</u>

26 Major noncash transaction

The Company has entered into a 15-year Distribution Agreement with effect from 19 June 2017 at a total consideration of HK\$2,500,000,000.

An upfront cash payment of HK\$1,972,000,000 made to the bank was paid by the Company's intermediate holding company Everwin Enterprise (Hong Kong) Limited ("Everwin") through the Company's immediate holding company, Thaihot Investment (Bermuda) Company Limited ("Thaihot Bermuda"). The remaining consideration shall be settled in 10 equal instalments commencing on the first anniversary and ending on the tenth anniversary of the Distribution Agreement. The future instalments payable have been discounted to a total present value of HK\$474,134,435 as of 31 December 2017, which gave rise to a discount of other payables at initial recognition of HK\$53,865,565 in 2017.

On 13 March 2018, together with subsequent confirmation, Everwin, Thaihot Bermuda, and the Company have entered into a Deed of Waiver, whereby Everwin, upon confirmation, irrevocably has forgiven and waived the outstanding amount owed to it by Thaihot Bermuda with effect from 28 December 2017 and agreed that, from 28 December 2017, Thaihot Bermuda shall have no obligations to pay back any or all of the principal and the interest, if any, of the outstanding amount. On the same date, Thaihot Bermuda, upon confirmation of the above, irrevocably has forgiven and waived the outstanding amount owed to it by the Company with effect from 28 December 2017 and agrees that the Company shall have no obligations to pay back any or all of the principal and the interest, if any, of the outstanding amount of HK\$1,972,000,000 from 28 December 2017. For yearly instalments where the Company pays to the third party bank in advance, Everwin will reimburse the Company for such amounts. The amount paid by the Company to the third party bank during the year was HK\$105,600,000 (2023: HK\$nil).

As of 31 December 2024, the total amounts to be reimbursed from Everwin were HK\$369,600,000 (2023: HK\$264,000,000) (Note 24) and a total of HK\$2,341,600,000 (2023: HK\$2,236,000,000) has been recognised as shareholder's contribution under capital reserve.

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27 Event after the reporting period

Pursuant to the decision of the Arbitral Tribunal, the Company shall settle the outstanding instalments of the remaining consideration payable to the third party bank in accordance with the original schedule as stated in the Distribution Agreement. In September 2025, the third party bank has purportedly suspended a total of HK\$105.6 million of the Company's cash balance held at the third party bank, representing two undue instalments of the remaining consideration. Such remaining considerations have been provided as "Other Payables – Distribution Agreement" in the Company's balance sheet as of 31 December 2024. The Company has engaged external legal advisors to reinstate the cash balance.

In September 2025, the Insurance Authority has issued a public reprimand on the Company and imposed a fine of HK\$10 million to be borne by the Company's shareholder fund. The disciplinary actions are connected with related party transactions executed by the Company between July 2019 and April 2020 without prior consent of the Insurance Authority. A provision for the fine of HK\$10 million was recognised in October 2023, which remained fully provided as of 31 December 2023 and 31 December 2024.

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28 Interest in unconsolidated structured entities

The Company has determined that the investment funds the Company has interest in are structured entities. These structured entities invest in financial assets including but not limited to unlisted debt securities, mortgage trusts and equities. The Company has not consolidated these investment funds as the directors do not consider the Company have control based on the guidance in HKFRS 10 (Note 3(f)).

The maximum exposure to loss, which represents the maximum loss that the Company could be required to report as a result of its involvement in these investment funds regardless of the probability of the loss being incurred, is limited to the carrying amount of the assets HK\$216,425,676 (2023: HK\$453,627,983) (Note 3(d)). The size of these investment funds amounted to HK\$387,100,246 as of 31 December 2024 (2023: HK\$1,822,500,697).