

**HENG AN STANDARD LIFE (ASIA) LIMITED**  
恒安標準人壽(亞洲)有限公司

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2024**

**HENG AN STANDARD LIFE (ASIA) LIMITED**  
**恒安標準人壽(亞洲)有限公司**

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## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **DIRECTORS' REPORT**

The directors submit herewith their annual report together with the audited financial statements of Heng An Standard Life (Asia) Limited (the "Company") for the year ended 31 December 2024.

#### **Principal place of business**

Heng An Standard Life (Asia) Limited is a limited liability company incorporated and domiciled in Hong Kong. Its registered office and principal place of business is at 12/F Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

#### **Principal activity**

The principal activity of the Company is the issuance of insurance and investment contracts to provide its customers with asset management solutions for their savings and retirement needs. The Company also underwrites life insurance risks associated with death and disability.

The Company has not carried on any insurance business relating to liabilities or risks in respect of which persons are required by any Ordinance to be insured.

#### **Results and appropriations**

The results of the Company for the year ended 31 December 2024 and the Company's financial position as at that date are set out in the financial statements on pages 9 to 12.

The directors do not recommend any payment of dividend for the year ended 31 December 2024 (2023: nil).

#### **Donations**

Charitable and other donations made by the Company during the year amounted to HK\$37,000 (2023: HK\$44,000).

#### **Share capital and reserves**

Details of the movements in share capital and reserves are set out in the statement of changes in equity on page 13 and note 12 to the financial statements.

## **Directors**

The directors during the financial year were:

Mr. Alexander Hugh McCormack BEGBIE\*  
Ms. LIU Dongyu  
Mr. Michael Stephen BISHOP\*  
Ms. WANG Lihua  
Mr. WU Aijun  
Mr. ZHAO Feng  
Mr. JIA Xiaolin (*Resigned on 1 July 2024*)  
Mr. LAU Kin Kei Bosco\* (*Resigned on 1 July 2024*)  
Ms. WAN Qun (*Resigned on 1 July 2024*)

\* Independent non-executive directors

In accordance with Article 120 of the Company's Articles of Association, all remaining directors retire but are automatically re-elected at the forthcoming annual general meeting.

## **Controllers**

The controllers (within the meaning of Section 9 of the Hong Kong Insurance Ordinance ("the Insurance Ordinance")) of the Company during the year and up to the date of this report were:

Aberdeen Group plc (formerly known as abrdn plc)  
Heng An Standard Life Insurance Company Limited  
Tianjin TEDA International Holding (Group) Company Limited  
Ms. LIU Dongyu

## **Directors' and controllers' interests in transactions, arrangements or contracts**

No transactions, arrangements or contracts of significance to which the Company, or any of its holding companies or fellow subsidiaries, was a party, and in which a director or a 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.

No properties were transferred, payments made, loans advanced to or obligations assumed by or for a director or a controller of the Company, his/ her nominees or associates (within the meaning of Section 9 of the Hong Kong Insurance Ordinance) during the year.

## **Directors' and controllers' benefits from rights to acquire shares or debentures**

At no time during the year was the Company, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors and 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.

## **Indemnity of directors**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

## Management contracts

The following material management contract with a related party existed during the financial year:

- Intragroup services agreement with Heng An Standard Life Insurance Company Limited (immediate parent), whereby it provides certain finance, IT and internal audit support services to the Company.

## Summary of reinsurance arrangements

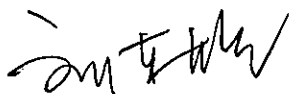
During the year, the Company carried on reinsurance arrangements with SCOR Reinsurance Company (Asia) Ltd and Hannover Rück SE Hong Kong Branch. Details of reinsurance arrangements are as follows:

Name of reinsurer	Type of benefit reinsured	Type of arrangement	Reinsurer's share %	Cedant's retention limit HK\$
SCOR Reinsurance Company (Asia) Ltd (Treaty effective on Sep 21, 2020)	The following benefits of CareMore: <ul style="list-style-type: none"> <li>• Death benefit</li> <li>• Critical illness benefit</li> <li>• Carcinoma-in-situ/Early stage cancer benefit</li> </ul>	Quota Share	80%	600,000
SCOR Reinsurance Company (Asia) Ltd (Treaty effective on May 27, 2022)	<ul style="list-style-type: none"> <li>• Basic death benefit</li> <li>• Critical illness benefit (for specified products)</li> <li>• Accidental death and disablement benefit</li> <li>• Accidental hospital income benefit &amp; Accidental medical reimbursement</li> <li>• Hospital income benefit</li> <li>• Total and permanent disability benefit in waiver of premium and payers' benefit</li> </ul>	Quota Share	80%	600,000
SCOR Reinsurance Company (Asia) Ltd (Treaty effective on Jan 1, 2024)	The following benefits of ProFuture: <ul style="list-style-type: none"> <li>• Death benefit (for regular contribution account only)</li> </ul>	Quota Share	80%	600,000
Hannover Rück SE Hong Kong Branch (Treaty effective on Jan 1, 2024)	The following benefits of OneFuture: <ul style="list-style-type: none"> <li>• Death benefit</li> </ul>	Quota Share	50%	N/A

## Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

A handwritten signature in black ink, appearing to be 'LIU Dongyu', written in a cursive style.

Ms. LIU Dongyu  
Director

Hong Kong, 26 March 2025

## ***Independent Auditor's Report***

To the Members of Heng An Standard Life (Asia) Limited  
(incorporated in Hong Kong with limited liability)

### **Opinion**

#### *What we have audited*

The financial statements of Heng An Standard Life (Asia) Limited (the "Company") , which are set out on pages 9 to 115, comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

#### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Opinion**

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

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

#### *Independence*

We are independent of the 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.

***Independent Auditor's Report (Continued)***

To the Members of Heng An Standard Life (Asia) Limited  
(incorporated in Hong Kong with limited liability)

**Other Information**

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

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

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

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

**Responsibilities of Directors for the Financial Statements of the Company**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, 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.



**Independent Auditor's Report (Continued)**

To the Members of Heng An Standard Life (Asia) Limited  
(incorporated in Hong Kong with limited liability)

**Auditor's Responsibilities for the Audit of the Financial Statements of the Company**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



羅兵咸永道

***Independent Auditor's Report (Continued)***

To the Members of Heng An Standard Life (Asia) Limited  
(incorporated in Hong Kong with limited liability)

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers*  
**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 26 March 2025

# HENG AN STANDARD LIFE (ASIA) LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Notes	2024 HK\$	2023 restated HK\$	2022 restated HK\$
<b>Assets</b>				
Property, plant and equipment	5	36,818,446	9,326,625	17,041,694
Intangible assets	6	26,366,680	25,769,662	4,091,457
Financial assets	7	7,568,814,285	7,151,949,407	6,798,933,416
Loans and receivables	8	30,273,311	47,711,119	80,394,059
Deferred incremental costs	9	111,154,018	76,039,119	57,266,821
Other assets	10	3,418,443	3,533,164	3,972,395
Reinsurance contracts assets	15	-	752,939	-
Bank and cash equivalents	11	34,986,340	149,588,731	47,262,151
<b>Total assets</b>		<u>7,811,831,523</u>	<u>7,464,670,766</u>	<u>7,008,961,993</u>
<b>Liabilities</b>				
Reinsurance contracts liabilities	15	1,835,802	-	930,747
Long term business liabilities				
- Insurance contracts	31	5,762,807,783	5,861,648,582	5,835,455,944
- Investment contracts	13	1,421,386,009	969,589,934	727,076,383
Lease liabilities	14	36,470,725	7,521,489	15,343,132
Deferred income	16	26,831,033	33,820,657	35,223,976
Trade and other payables	17	92,208,476	114,482,970	145,787,750
<b>Total liabilities</b>		<u>7,341,539,828</u>	<u>6,987,063,632</u>	<u>6,759,817,932</u>
<b>Net assets</b>		<u>470,291,695</u>	<u>477,607,134</u>	<u>249,144,061</u>

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

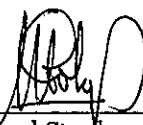
**AS AT 31 DECEMBER 2024**

	Notes	2024 HK\$	2023 restated HK\$	2022 restated HK\$
<b>Equity</b>				
Share capital	12	1,269,100,000	1,269,100,000	1,019,500,000
Accumulated losses		(798,808,305)	(791,492,866)	(770,355,939)
<b>Total equity</b>		<u>470,291,695</u>	<u>477,607,134</u>	<u>249,144,061</u>

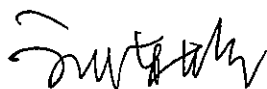
Approved and authorised for issue by the Board of Directors on 26 March 2025.



Mr Aijun WU  
Director



Mr Michael Stephen BISHOP  
Director



Ms Dongyu LIU  
Chief Executive

The notes on pages 15 to 115 form part of these financial statements.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK\$	2023 restated HK\$	2022 restated HK\$
Insurance revenue	3.3	104,097,508	110,911,481	123,361,017
Insurance service expenses	3.5	(40,858,922)	(45,113,019)	(50,260,317)
<b>Insurance service result before reinsurance contract held</b>		<u>63,238,586</u>	<u>65,798,462</u>	<u>73,100,700</u>
Allocation of reinsurance premium	3.1	(9,440,846)	(8,291,122)	32,301,402
Amounts recoverable from reinsurers for incurred claims	3.1	<u>2,364,584</u>	<u>4,239,448</u>	<u>4,494,563</u>
<b>Net expenses from reinsurance contracts held</b>		<u>(7,076,262)</u>	<u>(4,051,674)</u>	<u>36,795,965</u>
<b>Insurance service result</b>		<u>56,162,324</u>	<u>61,746,788</u>	<u>109,896,665</u>
Fee income for service relating to investment contracts	18	18,593,411	17,298,143	23,144,814
Net investment income	19	25,620,907	19,087,078	(42,606,152)
Reversal of impairment loss/(impairment loss) on financial assets		82,833	(70,958)	162,287
Net investment income/(loss) attributable from policyholder		477,333,227	411,823,232	(1,438,053,196)
Other operating income	20	<u>6,040,543</u>	<u>6,828,119</u>	<u>15,581,395</u>
<b>Net income/(expense)</b>		<u>527,670,921</u>	<u>454,965,614</u>	<u>(1,441,770,852)</u>

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	2024 HK\$	2023 restated HK\$	2022 restated HK\$
<b>Net investment contract benefits and claims</b>	21	(17,573,825)	(12,238,271)	(13,289,458)
Insurance finance (expenses)/income for insurance contracts issued	3.4	(459,052,883)	(353,553,021)	1,323,229,820
Reinsurance finance income/(expenses) for reinsurance contracts held	3.4	644,418	(762,454)	2,731,169
Changes in policyholders' reserve		(19,318,854)	(63,519,850)	137,495,945
Expenses for acquisition of service agreements relating to investment contracts	22	(37,401,134)	(23,003,570)	(18,781,012)
Other operating expenses	23	(100,269,626)	(104,392,223)	(104,968,676)
Finance cost		(281,303)	(555,557)	(936,874)
Change in deferred incremental costs	9	35,114,899	18,772,298	20,251,604
Change in deferred income	16	6,989,624	1,403,319	(9,491,832)
<b>Net (expense)/income</b>		<u>(573,574,859)</u>	<u>(525,611,058)</u>	<u>1,349,530,144</u>
<b>(Loss)/Profit before tax</b>		<u>(7,315,439)</u>	<u>(21,136,927)</u>	<u>4,366,499</u>
Income tax expenses	25	-	-	-
<b>(Loss)/Profit for the year</b>		<u>(7,315,439)</u>	<u>(21,136,927)</u>	<u>4,366,499</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>	<u>-</u>

The notes on pages 15 to 115 form part of these financial statements.

**HENG AN STANDARD LIFE (ASIA) LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Share capital HK\$	Accumulated losses HK\$	Total HK\$
<b>Balance at 1 January 2022</b>	1,019,500,000	(774,722,438)	244,777,562
Profit for the year	-	4,366,499	4,366,499
<b>Balance at 31 December 2022 (restated)</b>	1,019,500,000	(770,355,939)	249,144,061
Profit for the year	-	(21,136,927)	(21,136,927)
Capital infusion	249,600,000	-	249,600,000
<b>Balance at 31 December 2023 (restated)</b>	1,269,100,000	(791,492,866)	477,607,134
Profit for the year	-	(7,315,439)	(7,315,439)
<b>Balance at 31 December 2024</b>	1,269,100,000	(798,808,305)	470,291,695

The notes on pages 15 to 115 form part of these financial statements.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 HK\$	2023 restated HK\$	2022 restated HK\$
<b>Operating activities</b>				
<b>Net cash (used in)/generated from operating activities</b>	26	(154,153,644)	(172,079,491)	144,041,137
<b>Investing activities</b>				
Purchases of property, plant and equipment		(463,841)	(270,075)	(306,431)
Purchases of intangible assets - computer software		(5,471,982)	(13,431,948)	(1,775,381)
Purchases of financial assets at fair value through profit or loss		(3,559,604,563)	(3,051,491,472)	(3,928,078,257)
Proceeds from sales of property, plant and equipment		4,620	-	-
Proceeds from sales of financial assets at fair value through profit or loss		3,596,945,050	3,088,026,446	3,714,401,645
Dividend received		803,927	511,481	330,670
Interest received		14,295,789	9,866,897	9,070,791
<b>Net cash generated from/(used in) investing activities</b>		46,509,000	33,211,329	(206,356,963)
<b>Financing activities</b>				
Capital element of lease rentals paid		(6,699,697)	(7,821,643)	(7,440,326)
Proceeds from issuance of ordinary shares		-	249,600,000	-
Interest element of lease rentals paid		(281,303)	(555,557)	(936,873)
<b>Net cash (used in)/generated from financing activities</b>		(6,981,000)	241,222,800	(8,377,199)
<b>(Decrease)/Increase in bank and cash equivalents</b>		(114,625,644)	102,354,638	(70,693,025)
<b>Adjustment for changes in expected credit losses</b>		23,253	(28,058)	47,406
<b>Bank and cash equivalents at 1 January</b>		149,588,731	47,262,151	117,907,770
<b>Bank and cash equivalents at 31 December</b>		34,986,340	149,588,731	47,262,151
<b>Analysis of bank and cash equivalents at 31 December</b>				
Bank and cash equivalents	11	34,986,340	149,588,731	149,588,731

The notes on pages 15 to 115 form part of these financial statements.



## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **1 General information**

Heng An Standard Life (Asia) Limited ("the Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 12/F Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

The Company underwrites life insurance risks associated with death and disability. The Company also issues insurance and investment contracts to provide its customers with asset management solutions for their savings and retirement needs. The Company operates in Hong Kong and offers its products to domestic market only.

The financial statements have been approved for issue by the Board of Directors on 26 March 2025.

#### **2 Summary of significant accounting policies**

##### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out in note 2.2 below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company.

##### **2.2 Basis of preparation**

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company. The measurement basis used in the preparation of the financial statements is the historical cost basis, except the investments in debt and equity securities, which are carried at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.2 Basis of preparation (Continued)

##### *Restatement adjustments*

The Company has implemented HKFRS17 for Insurance Contracts for the first time for its annual reporting period beginning 1 January 2023. As HKFRS17 is a newly introduced and complex accounting standard, it necessitated that insurers make various assumptions and exercise considerable judgment in the accounting treatment of insurance contracts. Also, HKFRS17 is mainly for traditional insurance products, the methodology and treatments for accounting for investment-linked assurance schemes ("ILAS") product may require substantial judgements.

Fund rebates are a specific feature of ILAS product. The Company decided to include fund rebates in calculating the contractual service margin ("CSM") amortisation of insurance contract which is accepted by HKFRS17. This specific feature has led to a temporary workaround due to the HKFRS17 system limitation in the previous years. Throughout the year, the Company is implementing a system improvement to address this limitation and make CSM amortization more appropriate. The comparative financial results for the years ended 31 December 2023 and 2022 have been updated to reflect the updated outcomes accordingly.

The effect of the restatement on the statement of financial position and statement of profit or loss are summarized as follows.

	Notes	Previously reported HK\$	Restatement adjustment HK\$	Restated HK\$
<b>For the year ended 31 December 2022</b>				
<b><i>Statement of Financial Position</i></b>				
Liabilities				
- Insurance contracts	31	5,806,141,046	29,314,898	5,835,455,944
Equity				
Accumulated losses		(741,041,041)	(29,314,898)	(770,355,939)
Total equity		278,458,959	(29,314,898)	249,144,061
<b><i>Statement of profit or loss and other comprehensive income</i></b>				
Insurance revenue	3-3	119,447,617	3,913,400	123,361,017
Net investment loss attributable from policyholder		(1,471,281,494)	33,228,298	(1,438,053,196)
Other operating income	20	48,809,693	(33,228,298)	15,581,395
Insurance finance income for insurance contracts issued	3-4	1,356,458,118	(33,228,298)	1,323,229,820
<b>Profit for the year</b>		33,681,397	(29,314,898)	4,366,499

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.2 Basis of preparation (Continued)

##### *Restatement adjustments (continued)*

	Notes	Previously reported HK\$	Restatement adjustment HK\$	Restated HK\$
<b>For the year ended 31 December 2023</b>				
<b><i>Statement of Financial Position</i></b>				
<b>Liabilities</b>				
- Insurance contracts	31	5,807,697,367	53,951,215	5,861,648,582
<b>Equity</b>				
Accumulated losses		(737,541,651)	(53,951,215)	(791,492,866)
Total equity		<u>531,558,349</u>	<u>(53,951,215)</u>	<u>477,607,134</u>
<b><i>Statement of profit or loss and other comprehensive income</i></b>				
Insurance revenue	3.3	104,698,507	6,212,974	110,911,481
Net investment income attributable from policyholder		380,973,941	30,849,291	411,823,232
Other operating income	20	37,677,410	(30,849,291)	6,828,119
Insurance finance expenses for insurance contracts issued	3.4	(322,703,730)	(30,849,291)	(353,553,021)
<b>Profit for the year</b>		<u>3,499,390</u>	<u>(24,636,317)</u>	<u>(21,136,927)</u>

## HENG AN STANDARD LIFE (ASIA) LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### 2 Summary of significant accounting policies (Continued)

##### 2.2 Basis of preparation (Continued)

###### *New standards and interpretations adopted by the company*

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current liabilities with covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised);
- Lease liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS7 and HKFRS7.

The amendments and interpretation listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

###### *New and amended standards and interpretations not yet adopted*

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below.

- a) Amendments to HKAS 21 – Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)

The HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. The Company does not expect these amendments to have a material impact on its operations or financial statements.

- b) Amendments to the Classification and Measurement of Financial Instruments Amendments to HKFRS 9 and HKFRS 7 (effective for annual periods beginning on or after 1 January 2026)

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Company does not expect these amendments to have a material impact on its operations or financial statements.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.3 Summary of significant accounting policies**

###### **2.3.1 Insurance and reinsurance contracts classification**

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk.

###### **2.3.2 Insurance and reinsurance contracts accounting treatment**

###### **2.3.2.1 Level of aggregation**

HKFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under Hong Kong GAAP, which were significantly higher than the level of aggregation required by HKFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). HKFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has defined portfolios of insurance contracts issued based on its product lines, namely unit-linked, term life and critical illness contracts due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Company has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

The groups of contracts for which the fair value approach has been adopted on transition include contracts issued more than one year apart.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

###### **2.3.2.1 Level of aggregation (Continued)**

The unit-linked, term life, critical illness and reinsurance contracts portfolios are divided into:

- A group of contracts that are onerous at initial recognition
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining contracts in the portfolio

The reinsurance contracts held portfolios are further divided into:

- A group of contracts on which there is a net gain on initial recognition
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining contracts in the portfolio

###### **2.3.2.2 Recognition**

The Company recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held

And

- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date

The reinsurance contracts held by the Company provide proportionate cover. Therefore the Company does not recognise a proportional reinsurance contract held until at least one underlying direct insurance contract has been recognised.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.3 Onerous groups of contracts**

The Company issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

##### **2.3.2.4 Contract boundary**

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or

- Both of the following criteria are satisfied:
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For life contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the policyholder by the Company, the Company considers when underwriting equivalent contracts on the renewal dates for the remaining coverage. The Company reassess contract boundary of each group at the end of each reporting period.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.5 Measurement- general model**

###### **(1) Insurance contracts – initial measurement**

The general model measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A contractual service margin (“CSM”) representing the unearned profit the Company will recognise as it provides service under the insurance contracts in the group

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company’s objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
- Claims handling costs
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts
- Transaction-based taxes

The Company does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.



## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.5 Measurement- general model (Continued)**

###### **(1) Insurance contracts – initial measurement (Continued)**

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders
- Other information about the known or estimated characteristics of the insurance contracts
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions
- Current pricing information, when available

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time. The Company does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

For insurance contracts under the variable fee approach ("VFA"), the following adjustments relate to future service and thus adjust the CSM:

- a. changes in the amount of the Company's share of the fair value of the underlying items; and
- b. changes in the fulfilment cash flows ("FCF") that do not vary based on the returns of underlying items:
  - i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
  - ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes;
  - iii. changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those described in the following paragraph;
  - iv. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
  - v. changes in the risk adjustment for non-financial risk that relate to future service.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.5 Measurement- general model (Continued)**

###### **(1) Insurance contracts – initial measurement (Continued)**

Adjustments (ii)-(v) are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

- a. changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- b. changes in the FCF that do not vary based on the returns of underlying items:
  - i. changes in the FCF relating to the liabilities for incurred claims; and
  - ii. experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
  - iii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

###### **(2) Insurance contracts – subsequent measurement**

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in fulfilment cash flows relating to future service, except to the extent that:
- Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.5 Measurement- general model (Continued)**

###### **(2) Insurance contracts – subsequent measurement (Continued)**

Or

- Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period
- Changes in the risk adjustment for non-financial risk that relate to future service

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.5 Measurement- general model (Continued)**

###### **(2) Insurance contracts – subsequent measurement (Continued)**

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprising the fulfilment cash flows related to past service allocated to the group at that date.

###### **(3) Insurance contracts – modification and derecognition**

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)

Or

- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract

###### **(4) Insurance acquisition cash flows**

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

###### **2.3.2.6 Presentation**

The Company has presented separately in the statement of financial position the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

###### **(1) Insurance revenue**

The Company's insurance revenue depicts the provision of coverage and other services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The CSM release
- Amounts related to insurance acquisition cash flows

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.6 Presentation (Continued)**

###### **(2) Loss components**

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

###### **(3) Loss-recovery components**

When the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.6 Presentation (Continued)**

###### **(3) Loss-recovery components (Continued)**

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

###### **(4) Insurance finance income and expense**

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Company disaggregates insurance finance income or expenses on insurance contracts issued for its term life and critical illness portfolios between profit or loss and other comprehensive income ("OCI"). The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI. Finance income and expenses on the Company's issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Company reclassifies the insurance income finance or expense to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

#### **2.3 Summary of significant accounting policies (Continued)**

##### **2.3.2 Insurance and reinsurance contracts accounting treatment (Continued)**

##### **2.3.2.6 Presentation (Continued)**

###### **(5) Net income or expense from reinsurance contracts held**

The Company presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

#### **2.4 Insurance and financial risk**

##### **2.4.1 Insurance risk**

##### **2.4.1.1 Life insurance contracts and reinsurance contracts**

The Company offers term life and CI contracts, as well as life reinsurance contracts.

The main risks that the Company is exposed to are, as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of outwards reinsurance arrangements.

The Company purchases reinsurance as part of its risk mitigation programme. Reinsurance held (outward reinsurance) is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business.



## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.4 Insurance and financial risk (Continued)**

###### **2.4.1 Insurance risk (Continued)**

###### **2.4.1.1 Life insurance contracts and reinsurance contracts (Continued)**

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

For the life insurance and life reinsurance contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The nature of the Company's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

###### **(1) Sensitivities**

The following sensitivity analysis shows the impact (gross and net of reinsurance held) on contractual service margin, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options. When options exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.5 Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

##### **2.6 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated to write off the cost or valuation of items, of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvement and furniture	According to lease term
Office equipment	3 years
Computer equipment	3 years
Others	3 years

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

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 arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss as other operating income/(expenses) on the date of retirement or disposal.

## HENG AN STANDARD LIFE (ASIA) LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### 2 Summary of significant accounting policies (Continued)

##### 2.7 Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2.10). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2.10).

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

Computer software	3 – 15 years
-------------------	--------------

Both the period and method of amortisation are reviewed annually.

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

##### 2.8 Leased assets

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

As a lessee

*Policy applicable from 1 January 2020*

Where the contract contains lease component(s) and non-lease component(s), the company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the company, are printers. When the company enters into a lease in respect of a low-value asset, the company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.8 Leased assets (Continued)**

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.10).

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

##### **2.9 Financial assets**

###### **(a) Investments at fair value through profit or loss**

The Company classifies its investments as financial assets at fair value through profit or loss. They are designated as at fair value through profit or loss at inception. It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch').

Regular way purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value of consideration given that it is directly attributable to the acquisition and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement within "net investment income", "investment income attributable to policyholder" and "net investment contract benefits and claims" in the period in which they arise.

The fair values of quoted investments are based on current bid prices. These quotations are provided by the fund managers.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.9 Financial assets (Continued)**

###### **(b) Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets). Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss ("FVTPL"). Gains and losses on equity investments at FVTPL are included in the line 'Net gains on FVTPL investments' in the statement of profit or loss.

The Company chooses not to apply the FVOCI option for equity instruments that are not held for trading.

###### **(c) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently measured at cost less provision for impairment. 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. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due to the original terms of receivables.

##### **2.10 Impairment of assets**

###### **(a) Impairment of loans receivables and bank and cash equivalents**

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instrument assets carried at amortised cost ("AC") and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of the ECL reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.10 Impairment of assets (Continued)**

###### **(b) Impairment of other assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.11 Deferred incremental costs (“DIC”)**

Incremental costs that are directly associated with investment contract policy issuance, comprising direct commission, client incentive and consultant credit, are specifically identified and capitalised as DIC. It is amortised over the expected life of the contracts as the related revenue is recognised. This deferral is presentationally shown by an explicit carrying value for DIC in the statement of financial position. After initial recognition, the recoverability of the DIC is reviewed and is written off to the extent that they are no longer considered to be recoverable.

##### **2.12 Bank and cash equivalents**

Bank and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

##### **2.13 Share capital**

Ordinary shares are classified as equity.

##### **2.14 Insurance and investment contracts**

###### **(a) Classification**

The Company issues contracts that constitute long term business under the Hong Kong Insurance Ordinance. These contracts transfer insurance risk or financial risk or both. These contracts also require the Company to provide certain services to policyholders, including unit-linked investment management services.

For financial reporting purposes, insurance contracts are those contracts that transfer significant insurance risk. Such contracts 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 5% more than the benefits payable if the insured event does not occur. Insurance (unit-linked) contracts are defined as insurance contracts under HKFRS17, which transfer significant insurance risk and also provide unit-linked investment management services.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

###### **(b) Recognition and measurements**

###### **Investment contracts**

Investment contracts include unit-linked contracts that transfer financial risk with no significant insurance risk. They are reported as financial liabilities whose fair value is dependent on the fair value of underlying financial assets (unit-linked) and are designated at inception as at fair value through profit or loss.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.14 Insurance and investment contracts (Continued)**

###### **(b) Recognition and measurement (Continued)**

###### **Investment contracts (Continued)**

The initial fair value of unit-linked financial liabilities is determined as how much the policyholders contribute to the Company. The best evidence of the fair value of these financial liabilities at initial recognition is the fair value of the contributions received.

The subsequent fair value of unit-linked financial liabilities is determined using the current market value provided by the fund managers of the mutual funds multiplied by the number of units attributed to the contract holders at the reporting date.

Contributions received in respect of investment contracts of unit-linked products contributed by policyholders are treated as funds deposited and not reported in the income statement. Claims paid to policyholders are treated as a reduction to these deposits (unit-linked financial liabilities).

###### **(c) Reinsurance contracts held**

Reinsurance contracts held are contracts that are entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company that meet the classification requirements for insurance contracts in note 2.14 (a).

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. Short term balances due from reinsurers are classified within loans and receivables. Longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts are measured consistently with the amount 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 profit and loss account. The Company gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. The process is described in note 2.10.



## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.14 Insurance and investment contracts (Continued)**

- (d) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from brokers and contract holders. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the income statement. The Company gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. The process is described in note 2.10.

##### **2.15 Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

##### **2.16 Deferred income**

The Company receives fees in advance for the services that the Company provides, including investment management services. Those fees related to investment contracts are specifically identified and recognised as a deferred income liability and released to the income statement on a straight line basis over the period when the services are provided.

##### **2.17 Trade and other payables**

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.18 Employee benefits**

(a) Termination benefits

Termination benefits are recognised at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(b) Short term employee benefits and contributions to defined contribution retirement plans

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

(c) Share-based payment

The Company offers share award plans for certain key employees.

Share awards of the abrdn plc's equity instruments, for which abrdn plc has the obligation to settle, are valued using the share price at the date of grant and are accounted for as equity-settled. The compensation costs for all awards are recognised in the statement of profit or loss and other comprehensive income over the plans' respective vesting period.

##### **2.19 Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available in the near future against which the asset can be utilised, are recognised.

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.20 Revenue recognition**

**(a) Rendering of services**

Revenue arising from asset management and other related services on unit-linked investment contracts offered by the Company are recognised in the accounting period when the services are rendered.

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts are recognised when control over a product or service is transferred to the customer.

Regular fees charged to the customer periodically either directly or by making a deduction from invested funds are recognised when due.

**(b) Interest income**

Interest income is recognised on a time proportional basis using the effective interest method.

##### **2.21 Related parties**

**(a) A person, or a close member of that person's family, is related to the Company if that person:**

- (i) has control or joint control over the Company;**
- (ii) has significant influence over the Company; or**
- (iii) is a member of the key management personnel of the Company or the Company's parent.**

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).**
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).**
- (iii) Both entities are joint ventures of the same third party.**

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.21 Related parties (Continued)**

- (b) An entity is related to the Company if any of the following conditions applies: (Continued)
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

#### **3 Critical accounting estimates and judgements in applying accounting policies**

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

The determination of the liabilities under long term insurance contracts is based on the regulation set out in the Insurance (Determination of Long Term Liabilities) Rules. The major assumptions used relate to mortality, morbidity, future persistency, future expenses required to administer the business in force at the reporting date and the valuation interest rate.

The Company bases its mortality and morbidity estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. The main source of uncertainty regarding these estimates is that epidemics such as AIDS, SARS, avian flu and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in significant unexpected exposure to mortality and morbidity risk.

Estimates of future persistency are largely based on Company's own experience. These estimates affect the values placed on future premiums, expenses and claims.

Estimates are made to future investment income arising from the assets backing long term insurance contracts. These estimates are based on anticipated future investment earnings less a significant spread. A liability sensitivity analysis is performed on the valuation assumptions as set out in note 13.2.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in Carrying Amounts

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the income statement and statement of comprehensive income. The Company presents a table separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement and statement of comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Company's maximum exposure to credit risk from these assets.

#### Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach

	Year ended 31 December 2024			
	Liabilities for Remaining coverage		Liabilities for incurred claims HK\$	Total HK\$
	Excluding	Loss		
	Loss component HK\$	component HK\$		
Opening Assets	-	-	-	-
Opening liabilities	5,856,346,847	424,501	4,877,234	5,861,648,582
<b>Net opening balance</b>	<u>5,856,346,847</u>	<u>424,501</u>	<u>4,877,234</u>	<u>5,861,648,582</u>
<b>Insurance revenue</b>	(104,097,508)	-	-	(104,097,508)
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses	-	(120,747)	39,837,469	39,716,722
Amortisation of insurance acquisition cash flows	168,264	-	-	168,264
Losses and reversal of losses on onerous contracts	-	973,936	-	973,936
<b>Total insurance service expenses</b>	<u>168,264</u>	<u>853,189</u>	<u>39,837,469</u>	<u>40,858,922</u>
Investment components	(759,511,936)	-	759,511,936	-
<b>Insurance service result before reinsurance contract held</b>	<u>(863,441,180)</u>	<u>853,189</u>	<u>799,349,405</u>	<u>(63,238,586)</u>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2024			
	Liabilities for Remaining coverage		Liabilities for incurred claims	Total
	Excluding Loss component HK\$	Loss component HK\$	claims HK\$	HK\$
<b>Insurance service result before reinsurance contract held</b>	(863,441,180)	853,189	799,349,405	(63,238,586)
Net finance expenses from insurance contracts	459,042,655	10,229	-	459,052,884
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<u>(404,398,525)</u>	<u>863,418</u>	<u>799,349,405</u>	<u>395,814,298</u>
<b>Cash flows</b>				
Premiums received	305,268,539	-	-	305,268,539
Claims and other insurance service expenses paid, including investment components	-	-	(799,102,490)	(799,102,490)
Insurance acquisition cash flows paid	(821,146)	-	-	(821,146)
<b>Total cash flows</b>	<u>304,447,393</u>	<u>-</u>	<u>(799,102,490)</u>	<u>(494,655,097)</u>
<b>Net closing balance</b>	<u>5,756,395,715</u>	<u>1,287,919</u>	<u>5,124,149</u>	<u>5,762,807,783</u>
Closing assets	-	-	-	-
Closing liabilities	5,756,395,715	1,287,919	5,124,149	5,762,807,783
<b>Net closing balance</b>	<u>5,756,395,715</u>	<u>1,287,919</u>	<u>5,124,149</u>	<u>5,762,807,783</u>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2023 (Restated)			
	Liabilities for Remaining coverage		Liabilities for incurred claims	Total
	Excluding Loss component HK\$	Loss component HK\$	HK\$	HK\$
Opening Assets	-	-	-	-
Opening liabilities	5,829,606,003	447,104	5,402,837	5,835,339,944
<b>Net opening balance</b>	<b>5,829,606,003</b>	<b>447,104</b>	<b>5,402,837</b>	<b>5,835,339,944</b>
<b>Insurance revenue</b>	(110,911,481)	-	-	(110,911,481)
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses	-	(35,385)	45,050,374	45,014,989
Amortisation of insurance acquisition cash flows	96,489	-	-	96,489
Losses and reversal of losses on onerous contracts	-	1,541	-	1,541
<b>Total insurance service expenses</b>	<b>96,489</b>	<b>(33,844)</b>	<b>45,050,374</b>	<b>45,113,019</b>
Investment components	(578,544,475)	-	578,544,475	-
<b>Insurance service result before reinsurance contract held</b>	<b>(689,359,467)</b>	<b>(33,844)</b>	<b>623,594,849</b>	<b>(65,798,462)</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2023 (Restated)			
	Liabilities for Remaining coverage		Liabilities for incurred claims HK\$	Total HK\$
	Excluding	Loss		
	Loss component HK\$	component HK\$		
<b>Insurance service result before reinsurance contract held</b>	(689,359,467)	(33,844)	623,594,849	(65,798,462)
Net finance expenses from insurance contracts	353,541,779	11,241	-	353,553,020
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<u>(335,817,688)</u>	<u>(22,603)</u>	<u>623,594,849</u>	<u>287,754,558</u>
<b>Cash flows</b>				
Premiums received	362,784,378	-	-	362,784,378
Claims and other insurance service expenses paid, including investment components	-	-	(624,120,452)	(624,120,452)
Insurance acquisition cash flows paid	(225,846)	-	-	(225,846)
<b>Total cash flows</b>	<u>362,558,532</u>	<u>-</u>	<u>(624,120,452)</u>	<u>(261,561,920)</u>
<b>Net closing balance</b>	<u>5,856,346,847</u>	<u>424,501</u>	<u>4,877,234</u>	<u>5,861,648,582</u>
Closing assets	-	-	-	-
Closing liabilities	<u>5,856,346,847</u>	<u>424,501</u>	<u>4,877,234</u>	<u>5,861,648,582</u>
<b>Net closing balance</b>	<u>5,856,346,847</u>	<u>424,501</u>	<u>4,877,234</u>	<u>5,861,648,582</u>



**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

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

**3.1 Movement in carrying amounts (Continued)**

**Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (Continued)**

	Year ended 31 December 2022 (Restated)			
	Liabilities for Remaining coverage		Liabilities for incurred claims	Total
	Excluding Loss component HK\$	Loss component HK\$	HK\$	HK\$
Opening Assets	-	-	-	-
Opening liabilities	7,290,685,411	-	5,398,255	7,296,083,666
<b>Net opening balance</b>	<b>7,290,685,411</b>	<b>-</b>	<b>5,398,255</b>	<b>7,296,083,666</b>
<b>Insurance revenue</b>	(123,361,017)	-	-	(123,361,017)
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses	-	(2,944)	49,776,451	49,773,507
Amortisation of insurance acquisition cash flows	36,761	-	-	36,761
Losses and reversal of losses on onerous contracts	-	450,048	-	450,048
<b>Total insurance service expenses</b>	<b>36,761</b>	<b>447,104</b>	<b>49,776,451</b>	<b>50,260,316</b>
Investment components	(427,918,912)	-	427,918,912	-
<b>Insurance service result before reinsurance contract held</b>	<b>(551,243,168)</b>	<b>447,104</b>	<b>477,695,363</b>	<b>(73,100,701)</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2022 (Restated)			
	Liabilities for Remaining coverage		Liabilities for incurred claims HK\$	Total HK\$
	Excluding	Loss		
	Loss component HK\$	component HK\$		
<b>Insurance service result before reinsurance contract held</b>	(551,243,168)	447,104	477,695,363	(73,100,701)
Net finance income from insurance contracts	(1,323,229,820)	-	-	(1,323,229,820)
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<u>(1,874,472,988)</u>	<u>447,104</u>	<u>477,695,363</u>	<u>(1,396,330,521)</u>
<b>Cash flows</b>				
Premiums received	414,286,319	-	-	414,286,319
Claims and other insurance service expenses paid, including investment components	-	-	(477,690,781)	(477,690,781)
Insurance acquisition cash flows paid	(892,739)	-	-	(892,739)
<b>Total cash flows</b>	<u>413,393,580</u>	<u>-</u>	<u>(477,690,781)</u>	<u>(64,297,201)</u>
<b>Net closing balance</b>	<u>5,829,606,003</u>	<u>447,104</u>	<u>5,402,837</u>	<u>5,835,455,944</u>
Closing assets	-	-	-	-
Closing liabilities	5,829,606,003	447,104	5,402,837	5,835,455,944
<b>Net closing balance</b>	<u>5,829,606,003</u>	<u>447,104</u>	<u>5,402,837</u>	<u>5,835,455,944</u>



HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.1 Movement in carrying amounts (Continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2024					
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM HK\$	Total HK\$	Contracts under retrospective approach HK\$	Contracts under fair value approach HK\$
Net finance expenses from insurance contracts	426,382,749	-	32,670,135	459,052,884	110,978	32,559,157
Effects of movements in exchange rates	-	-	-	-	-	-
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	416,059,815	(3,362,332)	(16,883,185)	395,814,298	1,779,292	(18,662,477)
Cash flow	(494,655,097)	-	-	(494,655,097)	-	-
Non-cash operating expenses	-	-	-	-	-	-
Other non-cash items	-	-	-	-	-	-
<b>Net closing balance</b>	5,333,069,226	45,523,135	384,215,422	5,762,807,783	3,960,447	380,254,975
Closing assets	-	-	-	-	-	-
Closing liabilities	5,333,069,226	45,523,135	384,215,422	5,762,807,783	3,960,447	380,254,975
<b>Net closing balance</b>	5,333,069,226	45,523,135	384,215,422	5,762,807,783	3,960,447	380,254,975

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by measurement component of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2023 (restated)					
	Estimates of present value of future cash flows			CSM		
	HK\$	Risk adjustment for non-financial risk HK\$	CSM HK\$	Contracts under full retrospective approach HK\$	Contracts under fair value approach HK\$	Total HK\$
Opening assets	-	-	-	-	-	-
Opening liabilities	5,385,408,840	51,029,110	399,017,994	1,357,710	397,660,284	399,017,994
Net opening balance	5,385,408,840	51,029,110	399,017,994	1,357,710	397,660,284	399,017,994
<b>Insurance service result</b>						
<b>Changes that related to current services</b>						
CSM recognised for services provided	-	-	(45,786,272)	(160,952)	(45,625,320)	(45,786,272)
Change in risk adjustment for non-financial risk	-	(1,942,817)	-	-	-	-
Experience adjustments	(17,969,230)	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Changes that related to future services</b>						
Contracts initially recognised in the year	(856,659)	6,991	849,668	849,668	-	849,668
Changes in estimates that adjust the CSM	(15,775,958)	(207,866)	15,983,824	82,390	15,901,434	15,983,824
Change in estimates that result in losses and reversal of losses on onerous contracts	1,492	49	-	-	-	-
	(101,684)	-	-	-	-	-
<b>Changes that related to past services</b>						
<b>Total insurance service result</b>	(34,702,039)	(2,143,643)	(28,952,780)	771,106	(29,723,886)	(28,952,780)

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.1 Movement in carrying amounts (Continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach (Continued)

		Year ended 31 December 2023 (restated)				
		CSM				
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM HK\$	Contracts under full retrospective approach HK\$	Contracts under fair value approach HK\$	Total HK\$
Net finance expenses from insurance contracts	322,519,627	-	31,033,393	52,339	30,981,054	31,033,393
Effects of movements in exchange rates	-	-	-	-	-	-
<b>Total changes in the statement of profit or loss and other comprehensive income</b>						
Cash Flow	287,817,589	(2,143,643)	2,080,613	823,445	1,257,168	2,080,613
Non-cash operating expenses	(261,561,920)	-	-	-	-	-
Other non-cash items	-	-	-	-	-	-
<b>Net closing balance</b>	5,411,664,508	48,885,467	401,098,607	2,181,155	398,917,452	401,098,607
Closing assets	-	-	-	-	-	-
Closing liabilities	5,411,664,508	48,885,467	401,098,607	2,181,155	398,917,452	401,098,607
<b>Net closing balance</b>	5,411,664,508	48,885,467	401,098,607	2,181,155	398,917,452	401,098,607

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by measurement component of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2022 (restated)					
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM HK\$	CSM		
				Contracts under full retrospective approach HK\$	Contracts under fair value approach HK\$	Total HK\$
Opening assets	-	-	-	-	-	-
Opening liabilities	6,716,049,451	72,383,210	507,651,005	-	507,651,005	507,651,005
Net opening balance	6,716,049,451	72,383,210	507,651,005	-	507,651,005	507,651,005
<b>Insurance service result</b>						
<b>Changes that related to current services</b>						
CSM recognised for services provided	-	-	(52,386,544)	(12,592)	(52,373,952)	(52,386,544)
Change in risk adjustment for non-financial risk	-	(5,291,539)	-	-	-	-
Experience adjustments	(15,993,249)	-	(15,993,249)	-	-	-
Others	-	-	-	-	-	-
<b>Changes that related to future services</b>						
Contracts initially recognised in the year	(1,135,202)	10,293	1,124,909	1,124,909	-	1,124,909
Changes in estimates that adjust the CSM	106,784,090	(16,136,989)	(90,647,101)	233,025	(90,880,126)	(90,647,101)
Change in estimates that result in losses and reversal of losses on onerous contracts	385,914	64,135	-	-	-	-
	120,583	-	-	-	-	-
<b>Changes that related to past services</b>						
Total insurance service result	90,162,136	(21,354,100)	(141,908,736)	1,345,342	(143,254,078)	(141,908,736)

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.1 Movement in carrying amounts (Continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2022 (restated)					
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM HK\$	Total HK\$	CSM	
					Contracts under full retrospective approach HK\$	Contracts under fair value approach HK\$
Net finance expenses from insurance contracts	(1,356,505,545)	-	33,275,725	(1,323,229,820)	12,368	33,263,357
Effects of movements in exchange rates	-	-	-	-	-	-
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>(1,266,343,409)</b>	<b>(21,354,100)</b>	<b>(108,633,011)</b>	<b>(1,396,330,520)</b>	<b>1,357,710</b>	<b>(109,990,721)</b>
Cash Flow	(64,297,202)	-	-	(64,297,202)	-	-
Non-cash operating expenses	-	-	-	-	-	-
Other non-cash items	-	-	-	-	-	-
<b>Net closing balance</b>	<b>5,385,408,840</b>	<b>51,029,110s</b>	<b>399,017,994</b>	<b>5,835,455,944</b>	<b>1,357,710</b>	<b>397,660,284</b>
Closing assets	-	-	-	-	-	-
Closing liabilities	5,385,408,840	51,029,110	399,017,994	5,835,455,944	1,357,710	397,660,284
<b>Net closing balance</b>	<b>5,385,408,840</b>	<b>51,029,110</b>	<b>399,017,994</b>	<b>5,835,455,944</b>	<b>1,357,710</b>	<b>397,660,284</b>



**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

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

**3.1 Movement in carrying amounts (Continued)**

**Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach**

	Year ended 31 December 2024			
	Asset for remaining coverage			
	Excluding loss-recovery component HK\$	Loss-recovery component HK\$	Asset for incurred claims HK\$	Total HK\$
Opening Assets	-	-	-	-
Opening liabilities	(4,642,245)	-	5,395,184	752,939
<b>Net opening balance</b>	<b>(4,642,245)</b>	<b>-</b>	<b>5,395,184</b>	<b>752,939</b>
<b>Changes in the statement of profit or loss and other comprehensive income</b>				
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non- performance risk of reinsurers	(9,440,846)	-	2,364,584	(7,076,262)
<b>Net (expenses)/income from reinsurance contracts held</b>	<b>(9,440,846)</b>	<b>-</b>	<b>2,364,584</b>	<b>(7,076,262)</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach (Continued)

	Year ended 31 December 2024			
	Asset for remaining coverage			
	Excluding loss-recovery component HK\$	Loss-recovery component HK\$	Asset for incurred claims HK\$	Total HK\$
Investment components	-	-	-	-
Effect of changes in non- performance risk of reinsurers	82,096	-	-	82,096
Other changes	-	-	-	-
Net finance income from reinsurance contracts held	562,322	-	-	562,322
Effect of movements in exchange rates	-	-	-	-
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>(8,796,428)</b>	<b>-</b>	<b>2,364,584</b>	<b>(6,431,844)</b>
<b>Cash flows</b>				
Premiums paid	7,478,071	-	-	7,478,071
Amounts received	-	-	(3,634,968)	(3,634,968)
Other amounts paid	-	-	-	-
<b>Total cash flows</b>	<b>7,478,071</b>	<b>-</b>	<b>(3,634,968)</b>	<b>3,843,103</b>
<b>Adjusted for</b>				
Non-cash operating expenses	-	-	-	-
Other non-cash items	-	-	-	-
<b>Total non-cash items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net closing balance</b>	<b>(5,960,602)</b>	<b>-</b>	<b>4,124,800</b>	<b>(1,835,802)</b>
Closing assets	-	-	-	-
Closing liabilities	(5,960,602)	-	4,124,800	(1,835,802)
<b>Net closing balance</b>	<b>(5,960,602)</b>	<b>-</b>	<b>4,124,800</b>	<b>(1,835,802)</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach (Continued)

	Year ended 31 December 2023			
	Asset for remaining coverage			
	Excluding loss-recovery component HK\$	Loss-recovery component HK\$	Asset for incurred claims HK\$	Total HK\$
Opening Assets	-	-	-	-
Opening liabilities	(6,689,310)	-	5,758,563	(930,747)
<b>Net opening balance</b>	<b>(6,689,310)</b>	<b>-</b>	<b>5,758,563</b>	<b>(930,747)</b>
<b>Changes in the statement of profit or loss and other comprehensive income</b>				
Net (expenses)/income from reinsurance contracts held (excluding effect of changes in non- performance risk of reinsurers	(8,291,122)	-	4,239,448	(4,051,674)
<b>Net (expenses)/income from reinsurance contracts held</b>	<b>(8,291,122)</b>	<b>-</b>	<b>4,239,448</b>	<b>(4,051,674)</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.1 Movement in carrying amounts (Continued)

#### Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach (Continued)

	Year ended 31 December 2023			
	Asset for remaining coverage			
	Excluding loss-recovery component HK\$	Loss-recovery component HK\$	Asset for incurred claims HK\$	Total HK\$
Investment components	-	-	-	-
Effect of changes in non- performance risk of reinsurers	(77,937)	-	-	(77,937)
Other changes	-	-	-	-
Net finance expenses from reinsurance contracts held	(684,517)	-	-	(684,517)
Effect of movements in exchange rates	-	-	-	-
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	<b>(9,053,576)</b>	<b>-</b>	<b>4,239,448</b>	<b>(4,814,128)</b>
<b>Cash flows</b>				
Premiums paid	11,100,641	-	-	11,100,641
Amounts received	-	-	(4,602,827)	(4,602,827)
Other amounts paid	-	-	-	-
<b>Total cash flows</b>	<b>11,100,641</b>	<b>-</b>	<b>(4,602,827)</b>	<b>6,497,814</b>
<b>Adjusted for</b>				
Non-cash operating expenses	-	-	-	-
Other non-cash items	-	-	-	-
<b>Total non-cash items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net closing balance</b>	<b>(4,642,245)</b>	<b>-</b>	<b>5,395,184</b>	<b>752,939</b>
Closing assets	-	-	-	-
Closing liabilities	(4,642,245)	-	5,395,184	752,939
<b>Net closing balance</b>	<b>(4,642,245)</b>	<b>-</b>	<b>5,395,184</b>	<b>752,939</b>

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.1 Movement in carrying amounts (Continued)

Analysis by measurement component of reinsurance contracts not measured under the premium allocation approach

Year ended 31 December 2024							
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM				
			CSM HK\$	Total HK\$	Contracts under full retrospective approach HK\$	Contracts under fair value approach HK\$	Total HK\$
Opening assets	-	-	-	-	-	-	-
Opening liabilities	(18,126,240)	535,994	18,343,185	752,939	18,342,498	687	18,343,185
Net opening balance	(18,126,240)	535,994	18,343,185	752,939	18,342,498	687	18,343,185
Net expenses from reinsurance contracts held							
Changes that related to current services							
CSM recognised for services provided	-	-	(1,403,615)	(1,403,615)	(1,402,826)	(789)	(1,403,615)
Change in risk adjustment for non-financial risk	-	(10,584)	-	(10,584)	-	-	-
Experience adjustments	(5,662,062)	-	-	(5,662,062)	-	-	-
Others	-	-	-	-	-	-	-
Changes that related to future services							
Change in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-	-	-	-
Contracts initially recognised in the year	(230,767)	9,241	221,526	-	221,526	-	221,526
Changes in estimates that adjust the CSM	(573,378)	592,732	(19,354)	-	(19,975)	621	(19,354)
Change in estimates that result to losses and reversal of losses on onerous contracts	-	-	-	-	-	-	-
Changes that related to past services	-	-	-	-	-	-	-

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.1 Movement in carrying amounts (Continued)

Analysis by measurement component of reinsurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2024						
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM HK\$	Total HK\$	CSM		
					Contracts under full retrospective approach HK\$	Contracts under fair value approach HK\$	Total HK\$
Total net (expenses)/income from reinsurance contracts held	(6,466,207)	591,389	(1,201,443)	(7,076,261)	(1,201,275)	(168)	(1,201,443)
Effect of changes in non-performance risk of reinsurers	82,096	-	-	82,096	-	-	-
Net finance expenses from reinsurance contracts held	67,576	-	494,745	562,321	494,735	10	494,745
Effects of movements in exchange rates	-	-	-	-	-	-	-
Total changes in the statement of profit or loss and other comprehensive income	(6,316,535)	591,389	(706,698)	(6,431,844)	(706,540)	(158)	(706,698)
Cash flow	3,843,103	-	-	3,843,103	-	-	-
Non-cash operating expenses	-	-	-	-	-	-	-
Other non-cash items	-	-	-	-	-	-	-
Net closing balance	(20,599,672)	1,127,383	17,636,487	(1,835,802)	17,635,958	529	17,636,487
Closing assets	-	-	-	-	-	-	-
Closing liabilities	(20,599,672)	1,127,383	17,636,487	(1,835,802)	17,635,958	529	17,636,487
Net closing balance	(20,599,672)	1,127,383	17,636,487	(1,835,802)	17,635,958	529	17,636,487

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

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

**3.1 Movement in carrying amounts (Continued)**

**Analysis by measurement component of reinsurance contracts not measured under the premium allocation approach (Continued)**

	Year ended 31 December 2023					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under full retrospective approach	Contracts under fair value approach
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Opening assets	-	-	-	-	-	-
Opening liabilities	(19,973,280)	597,363	18,445,170	(930,747)	18,443,658	18,445,170
Net opening balance	(19,973,280)	597,363	18,445,170	(930,747)	18,443,658	18,445,170
<b>Net expenses from reinsurance contracts held</b>						
<b>Changes that related to current services</b>						
CSM recognised for services provided	-	-	(1,253,029)	(1,253,029)	(1,252,598)	(431)
Change in risk adjustment for non-financial risk	-	(8,891)	-	(8,891)	-	-
Experience adjustments	(2,789,754)	-	-	(2,789,754)	-	-
Others	-	-	-	-	-	-
<b>Changes that related to future services</b>						
Change in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-	-	-
Contracts initially recognised in the year	(89,484)	3,894	85,590	-	85,590	85,590
Changes in estimates that adjust the CSM	(481,228)	(56,371)	537,599	-	538,012	(413)
Change in estimates that result to losses and reversal of losses on onerous contracts	-	-	-	-	-	-
<b>Changes that related to past services</b>						

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.1 Movement in carrying amounts (Continued)

Analysis by measurement component of reinsurance contracts not measured under the premium allocation approach (Continued)

	Year ended 31 December 2023					
	Estimates of present value of future cash flows HK\$	Risk adjustment for non-financial risk HK\$	CSM HK\$	Total HK\$	Contracts under full retrospective approach HK\$	Contracts under fair value approach HK\$
<b>Total net expenses from reinsurance contracts held</b>	(3,360,466)	(61,368)	(629,840)	(4,051,674)	(628,996)	(844)
Effect of changes in non-performance risk of reinsurers	(77,937)	-	-	(77,937)	-	-
Net finance (income)/expenses from reinsurance contracts held	(1,212,372)	-	527,854	(684,517)	527,836	19
Effects of movements in exchange rates	-	-	-	-	-	-
<b>Total changes in the statement of profit or loss and other comprehensive income</b>	(4,650,774)	(61,368)	(101,985)	(4,814,128)	(101,160)	(825)
Cash flow	6,497,814	-	-	6,497,814	-	-
Non-cash operating expenses	-	-	-	-	-	-
Other non-cash items	-	-	-	-	-	-
<b>Net closing balance</b>	(18,126,240)	535,994	18,343,185	752,939	18,342,498	687
Closing assets	-	-	-	-	-	-
Closing liabilities	(18,126,240)	535,994	18,343,185	752,939	18,342,498	687
<b>Net closing balance</b>	(18,126,240)	535,994	18,343,185	752,939	18,342,498	687



# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.2 Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components of insurance contracts and reinsurance contracts held arising from the initial recognition of contracts not measured under the premium allocation approach that were initially recognised in the year.

#### Insurance Contract

	Profitable contracts issued HK\$	Onerous contracts issued HK\$	Profitable contracts acquired HK\$	Total HK\$
Year ended 31 December 2024				
<b>Estimates of present value of future cash outflows</b>				
Insurance acquisition cash flows	2,367	-	-	2,367
Claims payable and other expenses	2,070,818	-	-	2,070,818
<b>Total estimates of present value of future cash outflows</b>	<u>2,073,185</u>	<u>-</u>	<u>-</u>	<u>2,073,185</u>
Estimates of present value of future cash inflows	(4,597,683)	-	-	(4,597,683)
Risk adjustment for non-financial risk	13,264	-	-	13,264
Contractual service margin	2,511,234	-	-	2,511,234
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

**3.2 Effect of contracts initially recognised in the year (Continued)**

**Insurance Contract (Continued)**

	Profitable contracts issued HK\$	Onerous contracts issued HK\$	Profitable contracts acquired HK\$	Total HK\$
Year ended 31 December 2023				
<b>Estimates of present value of future cash outflows</b>				
Insurance acquisition cash flows	1,158	-	-	1,158
Claims payable and other expenses	1,077,642	-	-	1,077,642
<b>Total estimates of present value of future cash outflows</b>	<b>1,078,800</b>	<b>-</b>	<b>-</b>	<b>1,078,800</b>
Estimates of present value of future cash inflows	(1,935,459)	-	-	(1,935,459)
Risk adjustment for non-financial risk	6,991	-	-	6,991
Contractual service margin	849,668	-	-	849,668
<b>Losses recognised on initial recognition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Reinsurance Contracts Held**

	Year ended 31 December 2024		
	Contracts originated HK\$	Contracts acquired HK\$	Total HK\$
Estimates of present value of future inflows	1,863,786	-	1,863,786
Estimates of present value of future outflows	(2,094,554)	-	(2,094,554)
Risk adjustment for non-financial risk	9,241	-	9,241
Income recognised on initial recognition	-	-	-
<b>Contractual service margin</b>	<b>(221,527)</b>	<b>-</b>	<b>(221,527)</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.2 Effect of contracts initially recognised in the year (Continued)

##### Reinsurance Contracts Held (Continued)

	Year ended 31 December 2023		Total HK\$
	Contracts originated HK\$	Contracts acquired HK\$	
Estimates of present value of future inflows	(668,987)	-	(668,987)
Estimates of present value of future outflows	758,471	-	758,471
Risk adjustment for non-financial risk	(3,894)	-	(3,894)
Income recognised on initial recognition	-	-	-
<b>Contractual service margin</b>	<b>85,590</b>	<b>-</b>	<b>85,590</b>

#### 3.3 Insurance revenue

	Year ended 31 December 2024 HK\$
<b>Contracts not measured under the PAA</b>	
Amounts related to changes in liabilities for remaining coverage	
- Contractual service margin recognised for services provided	49,340,679
- Change in risk adjustment for non-financial risk for risk expired	2,279,500
- Expected incurred claims and other insurance service expenses	52,309,065
Recovery of insurance acquisition cash flows	168,264
<b>Total insurance revenue</b>	<b>104,097,508</b>
Represented by:	
Contracts measured under the full retrospective approach	6,072,882
Contracts measured under the fair value approach	98,024,626
<b>Total</b>	<b>104,097,508</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

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

#### 3.3 Insurance revenue (Continued)

	Year ended 31 December 2023 restated HK\$
<b>Contracts not measured under the PAA</b>	
Amounts related to changes in liabilities for remaining coverage	
- Contractual service margin recognised for services provided	45,786,272
- Change in risk adjustment for non-financial risk for risk expired	1,942,773
- Expected incurred claims and other insurance service expenses	63,085,947
Recovery of insurance acquisition cash flows	96,489
<b>Total insurance revenue</b>	<b>110,911,481</b>
Represented by:	
Contracts measured under the full retrospective approach	272,074
Contracts measured under the fair value approach	110,639,407
<b>Total</b>	<b>110,911,481</b>
	Year ended 31 December 2022 restated HK\$
<b>Contracts not measured under the PAA</b>	
Amounts related to changes in liabilities for remaining coverage	
- Contractual service margin recognised for services provided	52,386,545
- Change in risk adjustment for non-financial risk for risk expired	5,290,364
- Expected incurred claims and other insurance service expenses	65,647,347
Recovery of insurance acquisition cash flows	36,761
<b>Total insurance revenue</b>	<b>123,361,017</b>
Represented by:	
Contracts measured under the full retrospective approach	24,539
Contracts measured under the fair value approach	123,336,478
<b>Total</b>	<b>123,361,017</b>

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

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

**3.4 Net insurance finance income/(expenses)**

	Year ended 31 December 2024 HK\$
<b>Net finance income/(expenses) from insurance contracts</b>	
Changes in fair value of underlying items of contracts with direct participation features	(459,120,208)
Interest accreted	(2,829,191)
Effect of changes in interest rates and other financial assumptions	1,190,116
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	1,706,400
Net foreign exchange gains	-
<b>Total net finance expenses from insurance contracts</b>	<u>(459,052,883)</u>
<b>Net finance income/(expenses) from reinsurance contracts held</b>	
Interest accreted	(220,524)
Effect of changes in interest rates and other financial assumptions	749,852
Effect of changes in non-performance risk of reinsurers	82,096
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	32,994
Net foreign exchange losses	-
<b>Total net finance income from reinsurance contracts held</b>	<u>644,418</u>
	Year ended 31 December 2023 Restate HK\$
<b>Net finance income/(expenses) from insurance contracts</b>	
Changes in fair value of underlying items of contracts with direct participation features	(345,362,753)
Interest accreted	(2,841,358)
Effect of changes in interest rates and other financial assumptions	(6,094,389)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	745,479
Net foreign exchange gains	-
<b>Total net finance expenses from insurance contracts</b>	<u>(353,553,021)</u>

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

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

**3.4 Net insurance finance income/(expenses) (continued)**

	Year ended 31 December 2023 Restate HK\$
<b>Net finance income/(expenses) from reinsurance contracts held</b>	
Interest accreted	(156,290)
Effect of changes in interest rates and other financial assumptions	(679,151)
Effect of changes in non-performance risk of reinsurers	(77,937)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	150,924
Net foreign exchange losses	-
<b>Total net finance expense from reinsurance contracts held</b>	<b>(762,454)</b>

	Year ended 31 December 2022 Restate HK\$
<b>Net finance income/(expenses) from insurance contracts</b>	
Changes in fair value of underlying items of contracts with direct participation features	1,305,671,401
Interest accreted	(486,585)
Effect of changes in interest rates and other financial assumptions	18,260,445
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	(215,441)
Net foreign exchange gains	-
<b>Total net finance income from insurance contracts</b>	<b>1,323,229,820</b>

<b>Net finance income/(expenses) from reinsurance contracts held</b>	
Interest accreted	(203,473)
Effect of changes in interest rates and other financial assumptions	10,237,760
Effect of changes in non-performance risk of reinsurers	469,953
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	(7,773,071)
Net foreign exchange losses	-
<b>Total net finance income from reinsurance contracts held</b>	<b>2,731,169</b>

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

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

**3.5 Expenses**

	Year ended 31 December 2024 HK\$
<b>Insurance service expenses</b>	
Amortisation of insurance acquisition cash flows	168,264
Amounts attributed to other insurance service expenses	35,874,009
Claims and benefits	3,963,460
Reversal of losses on onerous insurance contracts	853,189
<b>Total</b>	<b>40,858,922</b>
<b>Net expenses from reinsurance contracts</b>	
Amount attributed to reinsurance activity expenses	7,076,262
<b>Total</b>	<b>7,076,262</b>
	Year ended 31 December 2023 HK\$
<b>Insurance service expenses</b>	
Amortisation of insurance acquisition cash flows	96,489
Amounts attributed to other insurance service expenses	39,682,266
Claims and benefits	5,368,108
Losses on onerous insurance contracts	(33,844)
	45,113,019
<b>Total</b>	
<b>Net expenses from reinsurance contracts</b>	
Amount attributed to reinsurance activity expenses	4,051,674
<b>Total</b>	<b>4,051,674</b>

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.6 Analysis of CSM

	Year ended 31 December 2024				
	5 years or less HK\$	After 5 years through 10 years HK\$	After 10 years through 15 years HK\$	After 15 years through 20 years HK\$	After 20 years HK\$
United-linked	187,378,364	106,053,129	49,375,154	18,468,857	18,522,838
Other	2,469,023	1,326,105	558,552	47,131	16,269
<b>Total</b>	<b>189,847,388</b>	<b>107,379,234</b>	<b>49,933,706</b>	<b>18,515,988</b>	<b>18,539,107</b>
Reinsurance contract held	(6,943,409)	(4,745,245)	(2,785,630)	(1,535,610)	(1,626,593)
					<b>(17,636,487)</b>



HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

3.6 Analysis of CSM (Continued)

	Year ended 31 December 2023 (Restated)				
	5 years or less HK\$	After 5 years through 10 years HK\$	After 10 years through 15 years HK\$	After 15 years through 20 years HK\$	After 20 years HK\$
United- linked	178,944,542	110,941,646	59,110,203	21,461,619	19,848,313
Other	4,281,725	2,880,893	1,830,546	828,547	970,573
<b>Total</b>	<b>183,226,267</b>	<b>113,822,540</b>	<b>60,940,749</b>	<b>22,290,165</b>	<b>20,818,886</b>
Reinsurance contract held	(6,677,917)	(5,006,799)	(3,083,877)	(1,718,467)	(1,856,125)
					(18,343,185)

	Year ended 31 December 2022 (Restated)				
	5 years or less HK\$	After 5 years through 10 years HK\$	After 10 years through 15 years HK\$	After 15 years through 20 years HK\$	After 20 years HK\$
United- linked	173,920,715	108,865,894	61,168,621	23,115,563	19,678,715
Other	4,685,021	3,126,295	2,116,731	1,070,118	1,270,322
<b>Total</b>	<b>178,605,735</b>	<b>111,992,188</b>	<b>63,285,352</b>	<b>24,185,681</b>	<b>20,949,037</b>
Reinsurance contract held	(6,280,598)	(5,054,401)	(3,245,423)	(1,839,429)	(2,025,320)
					(18,445,170)

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk

#### 4.1 Insurance risk

The risk under any one insurance contract relates to both the probability that an insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is difficult to predict accurately.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than previously estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Company manages insurance risk by

- writing of business only on approved rates which have regard to experience of significant factors such as expenses, persistency, mortality and morbidity
- use of reinsurance
- monitoring of the adequacy of the assessed value of liabilities to cover insurance claims and other benefits, including ensuring that a prudent margin has been added when calculating liabilities
- regularly monitoring the solvency margin of the Company

Concentration of risk has been reduced under the reinsurance arrangements, such that the Company only retains 20% of sums insured up to a maximum of HK\$600,000 per life for contracts with significant death benefits.

#### 4.2 Financial risk

The Company has exposure to financial risk through its financial assets, financial liabilities and insurance liabilities. The most important components of financial risk are liquidity risk, interest rate risk, currency risk, credit risk and price risk. For unit-linked investment contracts the Company matches all the assets on which the unit prices are based with assets in the portfolio in order to offset price, currency, credit or interest rate risk for these contracts.

	2024		2023	
	Insurance and investment business HK\$	Other assets and liabilities HK\$	Insurance and investment business HK\$	Other assets and liabilities HK\$
<b>Financial assets</b>				
Financial assets at fair value				
through profit or loss	7,363,473,943	205,340,342	6,993,678,841	158,270,566
Loans and receivables	28,353,408	1,919,903	47,092,707	618,412
Reinsurance contracts	-	-	752,939	-
Bank and cash equivalents	31,581,453	3,404,887	33,733,481	115,855,250
<b>Total</b>	<b>7,423,408,804</b>	<b>210,665,132</b>	<b>7,075,257,968</b>	<b>274,744,228</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

	2024		2023 (restated)		2022 (restated)	
	Insurance and investment business HK\$	Other assets and liabilities HK\$	Insurance and investment business HK\$	Other assets and liabilities HK\$	Insurance and investment business HK\$	Other assets and liabilities HK\$
<b>Financial liabilities</b>						
Insurance contracts	(5,762,807,783)	-	(5,861,648,582)	-	(5,835,455,944)	-
Investment contracts	(1,421,386,009)	-	(969,589,934)	-	(727,076,383)	-
Lease liabilities	(36,470,725)	-	(7,521,489)	-	(15,343,132)	-
Reinsurance contracts	(1,835,802)	-	-	-	-	-
Trade and other payables	(92,208,476)	-	(114,482,970)	-	(145,787,750)	-
<b>Total</b>	<b>(7,314,708,795)</b>	<b>-</b>	<b>(6,953,242,975)</b>	<b>-</b>	<b>(6,723,663,209)</b>	<b>-</b>

#### (a) Interest rate risk

The Company has exposure to interest rate risk arising from life and annuity insurance contracts, loans and interest payables. These financial liabilities are generally due within one year. Hence, the Company has minimal interest rate risk arising from insurance or investment contracts providing investment guarantee or guarantee cash value. The interest rate assumption for insurance and investment contracts liabilities is 4.40% (2023: 3.56%). The Company has derived this based on the market yield of Standard Life Asia Government Bond Fund as at 31 December 2024.

Please refer to note 13.2 for the sensitivity analysis. Other than insurance contracts liabilities, the Company is not exposed to other significant interest rate risk.

#### (b) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner. Key areas where the Company is exposed to credit risk are cash at bank, reinsurance of certain insurance liabilities to reinsurance counterparties.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Company assesses the creditworthiness of reinsurer and other counterparties by reviewing credit grades provided by rating agencies and other publicly available financial information.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (b) Credit risk (Continued)

The table below shows the credit rating balance for major counterparties at the reporting dates. Standard & Poor's credit ratings are used.

Counterparty	2024		2023	
	Rating	Amount HK\$	Rating	Amount HK\$
HSBC Holdings Plc.				
- Bank and cash equivalents	A-	21,490,909	A-	13,703,157
DBS				
- Bank and cash equivalents	AA-	6,068,578	AA-	74,764,833
China Merchants Bank				
- Bank and cash equivalents	BBB+	7,434,640	BBB+	61,119,281
Fair value through profit or loss				
- Sovereign Bond	AAA	20,428,017	AAA	20,190,483
- Corporate Bond	A+	114,098,767	A+	111,361,302
- Corporate Bond	A	29,436,736	A	41,995,543
- Corporate Bond	A-	116,589,920	A-	16,558,439
- Corporate Bond	BBB+	7,697,274	BBB+	35,102,262
- Corporate Bond	BBB	49,011,386	BBB	21,465,007
- Corporate Bond	BB+	19,884,025	BB+	3,015,605

##### (c) Liquidity risk

Liquidity risk is the risk that the Company is unable to realise investments and other assets in order to settle its financial obligations when they fall due or can do so only at excessive costs. The Company has a portion of financial assets held in cash and investment funds for liquidity purpose.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (c) Liquidity risk (Continued)

(i) The table below analyses certain of the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Contractual maturity									
	Carrying amount HK\$	Total contractual cash flow HK\$	No stated maturity/ on demand HK\$	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 3 years HK\$	Between 3 and 4 years HK\$	Between 4 and 5 years HK\$	Between 6 and 10 years HK\$	Over 10 years HK\$
<b>31 December 2024</b>										
<b>Financial assets</b>										
Financial assets at fair value through profit or loss	7,568,814,285	7,568,814,285	7,568,814,285	-	-	-	-	-	-	-
Loans and receivables	30,273,311	30,273,311	-	27,782,854	86,200	-	-	2,404,257	-	-
Bank and cash equivalents	34,986,340	34,986,340	34,986,340	-	-	-	-	-	-	-
<b>Total</b>	<b>7,634,073,936</b>	<b>7,634,073,936</b>	<b>7,603,800,625</b>	<b>27,782,854</b>	<b>86,200</b>	<b>-</b>	<b>-</b>	<b>2,404,257</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>										
Investment contracts (unit reserve)	1,421,302,600	1,421,302,600	1,421,302,600	-	-	-	-	-	-	-
Lease liabilities	36,470,725	41,048,700	-	6,450,510	7,036,920	7,036,920	7,036,920	7,036,920	6,450,510	-
Trade and other payables	92,208,476	92,208,476	-	89,208,476	-	-	-	3,000,000	-	-
<b>Total</b>	<b>1,549,981,801</b>	<b>1,554,559,776</b>	<b>1,421,302,600</b>	<b>95,658,986</b>	<b>7,036,920</b>	<b>7,036,920</b>	<b>7,036,920</b>	<b>10,036,920</b>	<b>6,450,510</b>	<b>-</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (c) Liquidity risk (Continued)

(i) The table below analyses certain of the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date (Continued)

	Carrying amount HK\$	Total contractual cash flow HK\$	No stated maturity/ on demand HK\$	Less than 1 year HK\$	Contractual maturity					
					Between 1 and 2 years HK\$	Between 2 and 3 years HK\$	Between 3 and 4 years HK\$	Between 4 and 5 years HK\$	Between 6 and 10 years HK\$	Over 10 years HK\$
<b>31 December 2023</b>										
<b>Financial assets</b>										
Financial assets at fair value through profit or loss	7,151,949,407	7,151,949,407	7,151,949,407	-	-	-	-	-	-	-
Loans and receivables	47,711,119	47,711,119	-	47,681,119	30,000	-	-	-	-	-
Bank and cash equivalents	149,588,731	149,588,731	149,588,731	-	-	-	-	-	-	-
<b>Total</b>	<b>7,349,249,257</b>	<b>7,349,249,257</b>	<b>7,301,538,138</b>	<b>47,681,119</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>										
Investment contracts (unit reserve)	969,170,942	969,170,942	969,170,942	-	-	-	-	-	-	-
Lease liabilities	7,521,489	7,679,100	-	7,679,100	-	-	-	-	-	-
Trade and other payables	114,482,970	114,482,970	-	114,482,970	-	-	-	-	-	-
<b>Total</b>	<b>1,091,175,401</b>	<b>1,091,333,012</b>	<b>969,170,942</b>	<b>122,162,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (c) Liquidity risk (Continued)

(ii) The table below analyses certain of the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the expected maturity date.

	Carrying amount HK\$	No stated maturity/ on demand HK\$	Less than 1 year HK\$	Expected maturity					
				Between 1 and 2 years HK\$	Between 2 and 3 years HK\$	Between 3 and 4 years HK\$	Between 4 and 5 years HK\$	Between 6 and 10 years HK\$	Over 10 years HK\$
<b>31 December 2024</b>									
<b>Financial liabilities</b>									
Reinsurance contracts	1,835,802	-	106,251	(563,961)	(519,432)	(352,927)	(263,159)	587,925	15,233,245
Insurance contracts	5,762,807,783	-	489,220,431	474,382,138	461,475,997	459,958,760	451,366,449	2,061,949,082	3,853,155,730
Investment contracts (non-unit reserve)	83,409	-	(26,629,155)	(23,501,153)	(19,696,051)	(16,571,092)	(12,240,793)	(29,259,615)	(22,178,741)
<b>Total</b>	<b>5,764,726,994</b>	<b>-</b>	<b>462,697,527</b>	<b>450,217,023</b>	<b>441,260,515</b>	<b>443,034,741</b>	<b>438,862,498</b>	<b>2,033,277,392</b>	<b>3,846,210,234</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (c) Liquidity risk (Continued)

(ii) The table below analyses certain of the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the expected maturity date. (Continued)

	Expected maturity								
	No stated maturity/ on demand HK\$	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 3 years HK\$	Between 3 and 4 years HK\$	Between 4 and 5 years HK\$	Between 6 and 10 years HK\$	Over 10 years HK\$	
<b>31 December 2023 (Restated)</b>									
<b>Financial assets</b>									
Reinsurance contracts	752,939	-	1,541,195	1,540,745	624,338	480,291	313,510	(214,088)	(15,976,097)
<b>Total</b>	752,939	-	1,541,195	1,540,745	624,338	480,291	313,510	(214,088)	(15,976,097)
<b>Financial liabilities</b>									
Insurance contracts	5,861,648,582	-	383,679,794	379,172,122	378,541,495	371,508,297	378,902,643	1,860,465,643	4,780,506,932
Investment contracts (non-unit reserve)	418,992	-	(14,635,781)	(12,803,065)	(9,931,032)	(7,800,763)	(6,462,022)	(15,281,694)	(9,390,737)
<b>Total</b>	5,862,067,574	-	369,044,013	366,369,057	368,610,463	363,707,534	372,440,621	1,845,183,949	4,771,116,195



# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (c) Liquidity risk (Continued)

(ii) The table below analyses certain of the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the expected maturity date. (Continued)

	No stated maturity/ on demand	Expected maturity							
		Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 6 and 10 years		
Carrying amount	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	Over 10 years	HK\$
<b>31 December 2022 (Restated)</b>									
<b>Financial liabilities</b>									
Insurance contracts	5,835,455,944	-	317,124,219	338,804,029	354,973,811	368,918,121	367,694,801	1,885,607,577	5,374,868,030
Investment contracts (non-unit reserve)	29,197	-	(8,026,558)	(6,992,058)	(5,475,577)	(4,044,561)	(3,299,164)	(9,965,388)	(7,099,202)
<b>Total</b>	<b>5,835,485,141</b>	<b>-</b>	<b>309,097,661</b>	<b>331,811,971</b>	<b>349,498,234</b>	<b>364,873,560</b>	<b>364,395,637</b>	<b>1,875,642,189</b>	<b>5,367,768,828</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (d) Currency risk

Foreign currency translation risk arises when financial assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Company's exposures to foreign currencies are as follows:

	Exposure to foreign currencies (expressed in Hong Kong dollars)					Total HK\$
	HKD HK\$	USD HK\$	EUR HK\$	GBP HK\$	Other currencies HK\$	
<b>31 December 2024</b>						
Financial assets at fair value through profit or loss						
Loans and receivables	83,089,259	7,304,621,616	114,168,449	2,868,799	64,066,162	7,568,814,285
Bank and cash equivalents	4,316,286	25,957,025	-	-	-	30,273,311
	13,592,259	17,967,298	586,293	721,297	2,119,193	34,986,340
<b>Total</b>	<b>100,997,804</b>	<b>7,348,545,939</b>	<b>114,754,742</b>	<b>3,590,096</b>	<b>66,185,355</b>	<b>7,634,073,936</b>
<b>Financial liabilities</b>						
Reinsurance contracts	(1,951,810)	112,220	93	57	3,638	(1,835,802)
Long term business liabilities						
- Insurance contracts	(3,551,953,949)	(2,205,443,962)	(1,879,267)	(3,364,902)	(165,703)	(5,762,807,783)
- Investment contracts	(33,605,485)	(1,342,711,417)	(6,206,369)	(1,456,226)	(37,406,512)	(1,421,386,009)
Lease liabilities	(36,470,725)	-	-	-	-	(36,470,725)
Trade and other payables	(81,356,834)	(10,851,642)	-	-	-	(92,208,476)
<b>Total</b>	<b>(3,705,338,803)</b>	<b>(3,558,894,801)</b>	<b>(8,085,543)</b>	<b>(4,821,071)</b>	<b>(37,568,576)</b>	<b>(7,314,708,795)</b>
<b>Net-on balance sheet position</b>	<b>(3,604,340,999)</b>	<b>3,789,651,138</b>	<b>106,669,199</b>	<b>(1,230,975)</b>	<b>28,616,779</b>	<b>319,365,141</b>

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(d) Currency risk (Continued)

Foreign currency translation risk arises when financial assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Company's exposures to foreign currencies are as follows: (Continued)

	Exposure to foreign currencies (expressed in Hong Kong dollars)					Total HK\$
	HKD HK\$	USD HK\$	EUR HK\$	GBP HK\$	Other currencies HK\$	
<b>31 December 2023 (Restated)</b>						
<b>Financial assets</b>						
Financial assets at fair value through profit or loss	74,704,942	6,901,489,408	124,079,708	4,451,029	47,224,320	7,151,949,407
Loans and receivables	8,697,156	37,374,577	103,256	1,484,845	51,285	47,711,119
Reinsurance contracts	531,772	221,167	-	-	-	752,939
Bank and cash equivalents	38,780,599	98,486,071	(2,556,420)	339,243	14,539,238	149,588,731
<b>Total</b>	<b>122,714,469</b>	<b>7,037,571,223</b>	<b>121,626,544</b>	<b>6,275,117</b>	<b>61,814,843</b>	<b>7,350,002,196</b>
<b>Financial liabilities</b>						
Long term business liabilities						
- Insurance contracts	(3,586,324,721)	(2,269,413,209)	(1,796,335)	(3,959,046)	(155,271)	(5,861,648,582)
- Investment contracts	(21,947,918)	(917,851,886)	(6,905,213)	(341,212)	(22,543,705)	(969,589,934)
Lease liabilities	(7,521,489)	-	-	-	-	(7,521,489)
Trade and other payables	(114,482,970)	-	-	-	-	(114,482,970)
<b>Total</b>	<b>(3,730,277,098)</b>	<b>(3,187,265,095)</b>	<b>(8,701,548)</b>	<b>(4,300,258)</b>	<b>(22,698,976)</b>	<b>(6,953,242,975)</b>
<b>Net-on balance sheet position</b>	<b>(3,607,562,629)</b>	<b>3,850,306,128</b>	<b>112,924,996</b>	<b>1,974,859</b>	<b>39,115,867</b>	<b>396,759,221</b>

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

4 Management of insurance and financial risk (Continued)

4.2 Financial risk (Continued)

(d) Currency risk (Continued)

Foreign currency translation risk arises when financial assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Company's exposures to foreign currencies are as follows: (Continued)

		Exposure to foreign currencies (expressed in Hong Kong dollars)						Total	
		HKD	USD	EUR	GBP	Other currencies		HK\$	HK\$
		HK\$	HK\$	HK\$	HK\$	HK\$			
<b>31 December 2022 (Restated)</b>									
<b>Financial assets</b>									
Financial assets at fair value through profit or loss									
Loans and receivables		67,559,763	6,544,660,674	165,775,973	4,622,416	16,323,590		6,798,933,416	
Reinsurance contracts		26,995,017	51,804,710	109,487	1,484,845	-		80,394,059	
Bank and cash equivalents		(1,376,923)	446,176	-	-	-		(930,747)	
		8,554,413	37,066,182	511,607	32,993	1,096,956		47,262,151	
<b>Total</b>		101,723,270	6,633,977,742	166,397,067	6,140,254	17,420,546		6,925,658,879	
<b>Financial liabilities</b>									
Long term business liabilities									
- Insurance contracts		(3,625,727,866)	(2,203,994,996)	(1,841,098)	(3,742,190)	(149,794)		(5,835,455,944)	
- Investment contracts		(2,996,586)	(711,861,762)	(10,633,941)	(283,797)	(1,298,297)		(727,076,383)	
Lease liabilities		(15,343,132)	-	-	-	-		(15,343,132)	
Trade and other payables		(145,787,750)	-	-	-	-		(145,787,750)	
<b>Total</b>		(3,789,855,334)	(2,915,856,758)	(12,477,039)	(4,025,987)	(1,448,091)		(6,723,663,209)	
<b>Net-on balance sheet position</b>		(3,688,132,064)	3,718,120,984	153,920,028	2,114,267	15,972,455		201,995,670	

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.2 Financial risk (Continued)

##### (d) Currency risk (Continued)

HKD is pegged to USD and therefore there is no significant currency risk arising from the net financial assets/liabilities denominated in HKD.

If the EUR, GBP and other currencies strengthened/(weakened) against HKD by 2% with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	2024		2023 (restated)		2022 (restated)	
	Increase/ (decrease in) foreign exchange rates	Effect on profit after tax and accumulated losses	Increase/ (decrease in) foreign exchange rates	Effect on profit after tax and accumulated losses	Increase/ (decrease in) foreign exchange rates	Effect on profit after tax and accumulated losses
EUR	2% (2)%	2,133,384 (2,133,384)	2% (2)%	2,258,500 (2,258,500)	2% (2)%	3,078,401 (3,078,401)
GBP	2% (2)%	(24,620) 24,620	2% (2)%	39,497 (39,497)	2% (2)%	42,285 (42,285)
Other currencies	2% (2)%	572,336 ( 572,336)	2% (2)%	782,317 (782,317)	2% (2)%	319,449 (319,449)

##### (e) Price risk

Price risk, or equity price risk, is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Company is exposed to equity price risk arising from unlisted mutual funds classified as financial assets at fair value through profit or loss. However, since assets and liabilities move broadly in line under market movements, there is little net exposure.

##### (f) Capital management

In 2023, the Company's objective when managing capital is to comply with the insurance regulatory capital requirements in accordance with the Insurance (Margin of Solvency) Rules ("the Insurance (Margin of Solvency) Rules") which must be maintained at all times throughout the year. The solvency ratio for 2023 is 3,173%, which is above the regulatory requirement of 100%.

	2023 HK\$
Capital and surplus (including unassigned surplus)	388,318,129
Minimum solvency margin	12,236,338
Solvency ratio	<u>3,173%</u>

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **4 Management of insurance and financial risk (Continued)**

##### **4.2 Financial risk (Continued)**

###### **(f) Capital management (Continued)**

Effective from 1 July 2024, the Company is subject to capital requirements under Hong Kong Risk-based Capital ("HKRBC") Regime introduced by Hong Kong Insurance Authority.

Pursuant to Chapter 41 of Hong Kong Insurance Ordinance ("IO"), the Company must ensure at all times that its capital base is not less than each of:

- the Prescribed Capital Amount ("PCA") of the insurer as determined in accordance with Part 5 of the Insurance (Valuation and Capital) Rules (Cap. 41R) ;
- the Minimum Capital Amount ("MCA") of the insurer, being 50% of the PCA; and
- HK\$20 million

For the year ended 31 December 2024 and 2023, the Company complied with the capital requirements as set out by the relevant authorities in Hong Kong.

As at 31 December 2024, the Company maintained capital base not less than HK\$20 million and solvency ratio not less than 200%, which comply with the IO.

##### **4.3 Fair value hierarchy**

The following table presents the fair value of the Company's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 4 Management of insurance and financial risk (Continued)

#### 4.3 Fair value hierarchy (Continued)

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Recurring fair value measurements</b>				
<b>As at 31 December 2024</b>				
Assets:				
Financial assets at fair value through profit or loss	7,568,814,285	-	-	7,568,814,285
<b>Total assets</b>	<b>7,568,814,285</b>	<b>-</b>	<b>-</b>	<b>7,568,814,285</b>
Liabilities:				
Financial liabilities on investment contracts designated at fair value through profit or loss	-	1,421,302,600	-	1,421,302,600
<b>Total liabilities</b>	<b>-</b>	<b>1,421,302,600</b>	<b>-</b>	<b>1,421,302,600</b>
<b>As at 31 December 2023</b>				
Assets:				
Financial assets at fair value through profit or loss	7,151,949,407	-	-	7,151,949,407
<b>Total assets</b>	<b>7,151,949,407</b>	<b>-</b>	<b>-</b>	<b>7,151,949,407</b>
Liabilities:				
Financial liabilities on investment contracts designated at fair value through profit or loss	-	969,170,942	-	969,170,942
<b>Total liabilities</b>	<b>-</b>	<b>969,170,942</b>	<b>-</b>	<b>969,170,942</b>

During the year ended 31 December 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Fair value of financial assets at fair value through profit or loss is classified as Level 1 as the value prices from fund houses are quoted from the active market.

#### *Valuation techniques and inputs used in Level 2 fair value measurements*

Fair value of financial liabilities on investment contracts designated at fair value through profit or loss is classified as Level 2 is dependent upon there not being a significant difference between the published prices of the units in the fund and the asset valuation used for reporting purposes. Where the unit linked fund is priced on a daily basis, and there are no restrictions on putting the unit back to the manager, that is, there is no queuing system in place for redemptions/cancellations, the unit linked fund should be treated as Level 2.

HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

5 Property, plant and equipment

(a) Reconciliation of carrying amount

	Right-of-use Assets HK\$	Leasehold improvement and furniture HK\$	Office equipment HK\$	Computer equipment HK\$	Others HK\$	Total HK\$
<b>Year ended 31 December 2024</b>						
Opening net book amount	6,252,727	1,648,633	21,816	1,403,449	-	9,326,625
Additions	36,347,033	-	-	463,841	-	36,810,874
Disposals	(43,939,383)	-	(45,717)	-	-	(43,985,100)
Depreciation charge	(6,059,199)	(1,647,463)	(15,869)	(893,602)	-	(8,616,133)
Written back on depreciation charge	43,241,283	-	40,897	-	-	43,282,180
Closing net book amount	35,842,461	1,170	1,127	973,688	-	36,818,446
<b>At 31 December 2024</b>						
Cost	36,347,033	11,987,486	1,261,308	6,615,595	508,207	56,719,629
Accumulated depreciation	(504,572)	(11,986,316)	(1,260,181)	(5,641,907)	(508,207)	(19,901,183)
<b>Net book amount</b>	<b>35,842,461</b>	<b>1,170</b>	<b>1,127</b>	<b>973,688</b>	<b>-</b>	<b>36,818,446</b>

Note: No written-off to Leasehold improvement and furniture during the year of 2024.



HENG AN STANDARD LIFE (ASIA) LIMITED

NOTES TO FINANCIAL STATEMENTS

5 Property, plant and equipment (Continued)

(a) Reconciliation of carrying amount (Continued)

	Right-of-use Assets HK\$	Leasehold improvement and furniture HK\$	Office equipment HK\$	Computer equipment HK\$	Others HK\$	Total HK\$
<b>Year ended 31 December 2023</b>						
<b>At 1 January 2023</b>	13,073,613	3,446,763	74,498	446,820	-	17,041,694
Opening net book amount	13,073,613	3,446,763	74,498	446,820	-	17,041,694
Additions	-	-	-	1,241,670	-	1,241,670
Depreciation charge	(6,820,886)	(1,798,130)	(52,682)	(285,041)	-	(8,956,739)
Closing net book amount	6,252,727	1,648,633	21,816	1,403,449	-	9,326,625
<b>At 31 December 2023</b>						
Cost	43,939,383	11,987,486	1,307,025	6,151,754	508,207	63,893,855
Accumulated depreciation	(37,686,656)	(10,338,853)	(1,285,209)	(4,748,305)	(508,207)	(54,567,230)
<b>Net book amount</b>	<b>6,252,727</b>	<b>1,648,633</b>	<b>21,816</b>	<b>1,403,449</b>	<b>-</b>	<b>9,326,625</b>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 5 Property, plant and equipment (Continued)

#### (b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2024 HK\$	31 December 2023 HK\$
Ownership interests in land and buildings held for own use	35,842,461	6,252,727

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 HK\$	2023 HK\$
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in land and buildings held for own use	6,059,199	6,820,886
Interest on lease liabilities	281,303	555,557
Expense relating to short-term leases and other leases	922,293	857,201
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	88,480	180,000

Additions to the right-of-use assets during the 2024 financial year were HK\$36,347,033 (2023: Nil).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 26(b) and 14 respectively.

### 6 Intangible assets

	Computer Software HK\$
<b>Year ended 31 December 2024</b>	
Opening net book amount	25,769,662
Additions	5,471,982
Amortisation charge	(4,874,964)
Closing net book amount	26,366,680

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**6 Intangible assets (Continued)**

	Computer Software HK\$
<b>At 31 December 2024</b>	
Cost or valuation	41,503,985
Accumulated amortisation	(15,137,305)
Net book amount	<u>26,366,680</u>
<b>Year ended 31 December 2023</b>	
<b>At 1 January 2023</b>	<u>4,091,457</u>
Opening net book amount	4,091,457
Additions	23,840,819
Amortisation charge	(2,162,614)
Closing net book amount	<u>25,769,662</u>
<b>At 31 December 2023</b>	
Cost or valuation	36,032,004
Accumulated amortisation	(10,262,342)
Net book amount	<u>25,769,662</u>

**7 Financial assets**

Financial assets at fair value through profit and loss	2024 HK\$	2023 HK\$
Mutual funds - unlisted	7,189,578,074	6,886,367,186
Debit securities - listed corporate bonds	357,146,125	249,688,641
Listed shares	22,090,086	15,893,580
	<u>7,568,814,285</u>	<u>7,151,949,407</u>

Changes in fair value of financial assets designated at fair value through profit or loss are recorded in net investment income (note 19) and investment (loss)/income attributable to policyholder. These financial assets are regarded as current assets.

The fair value of all financial assets at fair value through profit or loss is based on their current value prices in active market.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 8 Loans and receivables

	2024	2023
	HK\$	HK\$
Receivables due from policyholders	90,218	125,378
Other loans and receivables:		
- Interest receivable	3,778,237	2,201,871
- investment redemption receivables from third parties	11,416,333	25,326,213
- investment rebate receivables from third parties	9,335,412	8,758,140
- utility and capital expenditure deposits	4,366,242	8,216,741
- receivables from related parties	1,445,514	3,232,866
- Other receivables	2,040	70,175
	<u>30,433,996</u>	<u>47,931,384</u>
Less: Impairment allowance	(160,685)	(220,265)
	<u>30,273,311</u>	<u>47,711,119</u>
Current	27,782,854	47,681,119
Non-current	2,490,457	30,000
	<u>30,273,311</u>	<u>47,711,119</u>

The carrying values of the above loans and receivables approximate their estimated fair values. There is no significant concentration of credit risk with respect to loans and receivables.

There are no loans and receivables that are past due or impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each receivable mentioned above. The company does not hold any collateral as security.

### 9 Deferred incremental costs

	2024	2023
	HK\$	HK\$
Balance at the beginning of the year	76,039,119	57,266,821
Addition during the year	52,213,671	32,780,966
Amortisation during the year	(17,098,772)	(14,008,668)
Balance at the end of the year	<u>111,154,018</u>	<u>76,039,119</u>

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 10 Other assets

	2024 HK\$	2023 HK\$
Prepayment	3,418,443	3,533,164

### 11 Bank and cash equivalents

	2024 HK\$	2023 HK\$
Cash at bank and on hand	34,995,587	149,621,231
Less: Impairment allowance	(9,247)	(32,500)
	34,986,340	149,588,731

### 12 Share capital

Ordinary shares, issued and fully paid:

	2024		2023	
	Number of shares	HK\$	Number of shares	HK\$
At 1 January and 31 December	1,269,100,000	1,269,100,000	1,269,100,000	1,269,100,000

Ordinary shares have par value at HK\$1 per share. They entitle the holder to one vote per share at meetings of the Company, to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**13 Long term business liabilities**

**13.1 Investment contract liabilities**

	2024			2023		
	Gross HK\$	Reinsurance HK\$	Net HK\$	Gross HK\$	Reinsurance HK\$	Net HK\$
Unit reserves on investment contracts	1,421,302,600	-	1,421,302,600	969,170,942	-	969,170,942
Non-unit reserves on investment contracts	83,409	-	83,409	418,992	-	418,992
Total investment contract liabilities	1,421,386,009	-	1,421,386,009	969,589,934	-	969,589,934
Current	1,421,302,600	-	1,421,302,600	969,171,315	-	969,171,315
Non-current	83,409	-	83,409	418,619	-	418,619
	1,421,386,009	-	1,421,386,009	969,589,934	-	969,589,934

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.1 Investment contract liabilities (Continued)

	2024 HK\$	2023 HK\$
<b>Movement of unit reserves on investment contracts</b>		
Balance at the beginning of the year	969,170,942	727,047,186
New contributions received	543,172,439	313,901,673
Fee deducted from account balance	(19,978,204)	(13,210,611)
Withdrawals including benefit payment	(90,381,431)	(122,087,156)
Asset appreciation	19,318,854	63,519,850
Balance at the end of the year	<u>1,421,302,600</u>	<u>969,170,942</u>

	2024 HK\$	2023 HK\$
<b>Movement of non-unit reserves on investment contracts</b>		
Balance at the beginning of the year	418,992	29,197
Increase for new business	-	-
Release for terminations	(28,197)	1,530
(Decrease)/increase for assumption change	(221,698)	394,259
(Decrease) in the year	(85,688)	(5,994)
Balance at the end of the year	<u>83,409</u>	<u>418,992</u>

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17

##### (a) Process used to decide on assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In determining the liabilities for insurance contracts, IFRS17 measurement requirement is applied. The Appointed Actuary determines assumptions in relation to future deaths, incident rates, voluntary terminations, future administration expenses and discount rate. These assumptions are used for calculating the estimates of future cash flows within the contract boundary of the contract. Risk adjustments are added for non-financial risk as required by IFRS17 measurement requirement.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 13.2(f) and 13.2(g).

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

##### (b) Discount rate

Bottom-up approach was applied in the determination of the discount rates for different products.

Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free yield for HKD was derived using Hong Kong government bonds and this yield curve is used for contracts denominated in HKD. The risk-free yield for USD was derived using US Treasury and this yield curve is used for contracts denominated in non-HKD. Management uses judgement to assess liquidity characteristics of the liability cash flows.

Observable market information is available up to 15 and 30 years for risk-free yield for HKD and USD respectively. For the unobservable period, the yield curve was interpolated between an ultimate rate and the last observable point using the Smith-Wilson method.

The discount rates that were used to discount the estimates of future cash flows are as follows:

		2024					2023				
		1	5	10	20	30	1	5	10	20	30
		Year	Years	Years	Years	Years	Year	Years	Years	Years	Years
Non-Par	HKD	3.88%	3.60%	3.65%	3.75%	3.78%	4.28%	3.27%	3.29%	3.47%	3.56%
Non-Par	USD	4.11%	4.34%	4.55%	4.90%	4.71%	4.70%	3.79%	3.83%	4.27%	3.92%
Unit Linked	HKD	4.00%	3.71%	3.81%	3.92%	3.94%	4.40%	3.42%	3.47%	3.64%	3.72%
Unit Linked	USD	4.23%	4.45%	4.71%	5.07%	4.88%	4.82%	3.93%	4.02%	4.43%	4.07%

The unit fund growth rates for the underlying items of unit linked are assumed to be same as those for discount rates.

##### (c) Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the company uses information about past events, current conditions and forecasts of future conditions. The company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.



## HENG AN STANDARD LIFE (ASIA) LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### 13 Long term business liabilities (Continued)

##### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

###### (c) Estimates of future cash flows to fulfil insurance contracts (Continued)

Acquisition expense cash flows excluding commission and sales manager's bonus are allocated to groups of contracts based on the number of new business issued.

For the Non-Par and Unit Linked contracts, uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in policyholder behaviour, and uncertainties regarding future inflation rates and expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Significant assumptions used are discussed below.

###### - Mortality

The mortality assumption for YE2024 remain unchanged from those for YE2023.

###### *Non-Heritage and Non-ROPCI*

Follows 100% of modified Hong Kong Assured Lives 2001 published by Actuarial Society of Hong Kong (HKA01) where modified HKA01 is

- (i) Non-smoker: 66.50% of HKA01
- (ii) Smoker: 91.0% of HKA01

###### *Heritage*

100% China Life Table 2000-2003 (CL03)

###### *ROP CI*

92% of the mortality rates provided by the reinsurer (SCOR Re)

###### - Morbidity

The morbidity assumptions for YE2024 are shown as below.

- Non-ROPCI:* 120% of the incident rates provided by the reinsurer (Hannover Re)
- ROP CI:* 88% of the incident rates provided by the reinsurer (SCOR Re)

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**13 Long term business liabilities (Continued)**

**13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)**

**(c) Estimates of future cash flows to fulfil insurance contracts (Continued)**

- Persistency

**(i) Lapse Rate by product and by policy year**

Lapse rate is as below:

Product	Business Source	Policy Year																				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+
Harvest ***	Taiwan	9.0%	2.0%	0.5%	1.0%	1.5%	3.0%	2.5%	3.0%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Japan	7.0%	3.0%	1.0%	2.0%	3.0%	3.0%	3.5%	3.5%	4.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
	China	7.5%	2.5%	0.5%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	HK&Other	11.0%	3.0%	1.5%	2.0%	2.5%	4.0%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	5.0%	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
WAM Fortuity*		2.5%	4.5%	7.5%	9.5%	9.5%	19.5%	19.5%	19.5%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Aspire Aspiration	-	2.0%	4.5%	6.5%	25.0%	17.0%	13.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Flexi-Pro****		7.5%	6.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%
Future Compass		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.5%	6.5%	6.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
OneFuture		2.5%	5.0%	5.0%	10.0%	15.0%	25.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
CIES		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100%													
Other Class C		11.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.0%	7.0%	7.0%	7.0%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	3.5%	3.5%	3.5%	3.5%
Term - Non Glow		14.0%	10.0%	7.5%	5.5%	5.5%	5.5%	4.0%	3.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Term - Glow		16.0%	11.5%	8.5%	7.0%	9.5%	7.0%	4.5%	4.0%	3.0%	6.5%	4.0%	3.5%	3.0%	2.5%	35.5%	17.0%	7.5%	4.0%	3.0%	Note****	Note****
Rider-at-Ease		14.5%	11.0%	10.0%	6.0%	8.5%	7.5%	5.0%	4.5%	4.0%	7.5%	6.0%	3.0%	3.0%	3.0%	15.0%	3.0%	3.0%	3.0%	3.0%	Note****	Note****
Other Class A		19.5%	13.0%	9.5%	7.5%	8.5%	7.0%	6.0%	5.0%	4.5%	9.0%	5.0%	4.5%	3.0%	2.0%	11.5%	5.5%	2.5%	2.5%	2.5%	2.5%	0.0%
Perpetual****		19.5%	13.0%	9.5%	7.5%	8.5%	7.0%	6.0%	5.0%	4.5%	9.0%	5.0%	4.5%	3.0%	2.0%	11.5%	5.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Heritage**		1.0%	2.0%	3.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
CI ROP - Prem Term 5Y		7.5%	5.0%	4.0%	3.0%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	n/a
CI ROP - Prem Term 10Y		10.00%	7.50%	6.25%	5.00%	4.00%	3.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	n/a

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**13 Long term business liabilities (Continued)**

**13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)**

(c) Estimates of future cash flows to fulfil insurance contracts (Continued)

- Persistency (Continued)

(i) Lapse Rate by product and by policy year (Continued)

\* +10% spike at 60th month

\*\* +15% spike at 61st month and 10% at 97th, 133rd, 169th, 205th, and 241st month.

\*\*\* Harvest lapse is further adjusted by the following table

Yrs from Prem Expiry Date	Lapse Rate Added
0	20.0%
1	47.0%
2	20.0%
3+	15.0%

\*\*\*\* Lapse rate for Year 20+ is repeated from Year 5 - 19 every 15 years

^^^ Only names of the major products are shown above. The lapse rates with “^^^” could be applied to other minor products and riders.

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**13 Long term business liabilities (Continued)**

**13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)**

(c) Estimates of future cash flows to fulfil insurance contracts (Continued)

- Persistency (Continued)

(ii) Paid-Up Rate For Harvest Series

The paid-up rates for YE2024 remain unchanged from those for YE2023

Harvest without Top Up

Business source	Initial contribution period ("ICP")+I	ICP+2	ICP+3	ICP+4	ICP+5	ICP+6	ICP+7 and beyond
China	45.0%	26.0%	19.5%	14.5%	12.0%	10.0%	10.0%
Hong Kong and others	39.5%	12.0%	9.0%	7.0%	5.0%	3.5%	3.0%
Japan	33.5%	13.5%	9.5%	8.0%	8.0%	6.5%	6.5%
Taiwan	56.5%	21.5%	16.0%	12.5%	11.0%	5.5%	5.5%

Harvest with Top Up

Business source	Initial contribution period ("ICP")+I	ICP+2	ICP+3	ICP+4	ICP+5	ICP+6	ICP+7 and beyond
China	41.0%	19.0%	24.5%	24.0%	21.0%	23.0%	13.0%
Hong Kong and others	28.5%	16.0%	12.5%	9.5%	9.5%	6.5%	6.5%
Japan	37.5%	8.5%	7.5%	2.5%	10.5%	5.5%	5.5%
Taiwan	40.0%	29.0%	13.5%	11.0%	20.5%	7.0%	7.0%

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

(c) Estimates of future cash flows to fulfil insurance contracts (Continued)

- Persistency (Continued)

(iii) Fund Withdrawal Rate

The fund withdrawal rate for Harvest Series is shown as below:

China	Hong Kong and Others	Japan	Taiwan
7.5%	9.0%	5.0%	12.0%

The fund withdrawal rates for Aspire, Aspiration, WAM, Fortuity, OneFuture and CIES are shown as below:

Policy Year	1	2	3	4	5	6	7	8+
Aspire/Aspiration	6.0%	4.8%	3.5%	6.8%	3.0%	3.0%	3.0%	3.0%
WAM/Fortuity	6.5%	5.5%	4.0%	4.0%	4.0%	20.0%	25.0%	3.0%
OneFuture	2.5%	2.5%	2.1%	2.1%	3.0%	3.0%	3.0%	3.0%
CIES	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

The fund withdrawal rate for Heritage is 2% p.a.

- Expense Allowance

*Non-ROP CI*

	YE2024	
	Per coverage per annum	Per Premium
Harvest Series (Regular Pay)	862.36	3.0%
Pro-Investor	862.36	3.0%
Other Regular Pay Legacy ILAS	862.36	3.0%
WAM/Aspire/Fortuity/Aspiration	1149.88	0.0%
Heritage	1149.88	0.0%
OneFuture/CIES	1149.88	0.0%
Other Single Pay ILAS	527.11	0.0%
Protection & Endowment	463.09	0.0%
Riders	56.87	0.0%

Expense inflation is 3% per annum from YE2024 and after.

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**13 Long term business liabilities (Continued)**

**13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)**

(c) Estimates of future cash flows to fulfil insurance contracts (Continued)

- Expense Allowance (Continued)

*ROP CI*

- \$230.72 per coverage per annum
- 2% of premium for 10 year premium term and 1% of premium for 5 year premium term
- \$19.14 per premium transaction
- \$95.68 per maturity transaction
- \$67.53 per surrender transaction

Expense inflation is 3% per annum from YE2024 and after.

(d) Changes in assumptions

- Morbidity

The morbidity assumption for YE2024 has changed from

<i>Non-ROPCI:</i>	95% of the incident rates provided by the reinsurer (Hannover Re)
<i>ROP CI:</i>	88% of the incident rates provided by the reinsurer (SCOR Re)

To

<i>Non-ROPCI:</i>	120% of the incident rates provided by the reinsurer (Hannover Re)
<i>ROP CI:</i>	88% of the incident rates provided by the reinsurer (SCOR Re)

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

##### (d) Changes in assumptions (Continued)

- Persistency

(i) Lapse rate

The lapse rates of the following products have been changed from:

Business		Policy Year																				
Product	Source	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+
Harvest ***	Taiwan	9.0%	2.0%	0.5%	1.0%	1.5%	3.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Japan	7.0%	3.0%	1.0%	2.0%	3.0%	3.0%	3.5%	3.5%	4.5%	4.5%	4.5%	4.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
	China	7.5%	2.5%	0.5%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
	HK&Other	11.0%	3.0%	1.5%	2.0%	2.5%	4.0%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Aspire Aspiration	-	2.0%	3.0%	7.5%	30.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
OneFuture		3.0%	5.0%	5.0%	10.0%	15.0%	25.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
to																						

Product	Business Source	Policy Year																				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21+
Harvest ***	Taiwan	9.0%	2.0%	0.5%	1.0%	1.5%	3.0%	2.5%	3.0%	3.0%	3.5%	3.5%	3.5%	3.5%	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	Japan	7.0%	3.0%	1.0%	2.0%	3.0%	3.0%	3.5%	3.5%	4.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
	China	7.5%	2.5%	0.5%	1.0%	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	HK&Other	11.0%	3.0%	1.5%	2.0%	2.5%	4.0%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	5.0%	5.0%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Aspire Aspiration	-	2.0%	4.5%	6.5%	25.0%	17.0%	13.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
OneFuture		2.5%	5.0%	5.0%	10.0%	15.0%	25.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

##### (d) Changes in assumptions (Continued)

##### - Persistency (Continued)

##### (ii) Fund withdrawal rate

The fund withdrawal rate has changed from

Policy Year	1	2	3	4	5	6	7	8+
Harvest (Japan)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Aspire/Aspiration	6.0%	5.0%	3.0%	7.0%	3.0%	3.0%	3.0%	3.0%
OneFuture	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

to

Policy Year	1	2	3	4	5	6	7	8+
Harvest (Japan)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Aspire/Aspiration	6.0%	4.8%	3.5%	6.8%	3.0%	3.0%	3.0%	3.0%
OneFuture	2.5%	2.5%	2.1%	2.1%	3.0%	3.0%	3.0%	3.0%

##### - Expense Allowance

For Non-ROP CI, the unit cost remains unchanged from those for YE2023 except the per coverage unit costs are inflated at 3% from YE2023 to YE2024. The expense allowance for Non-ROP CI has changed from

	YE2023 Per coverage per annum	Per Premium
Harvest Series (Regular Pay)	837.24	3.0%
Pro-Investor	837.24	3.0%
Other Regular Pay Legacy ILAS	837.24	3.0%
WAM/Aspire/Fortuity/Aspiration	1116.39	0.0%
Heritage	1116.39	0.0%
OneFuture	1116.39	0.0%
Other Single Pay ILAS	511.76	0.0%
Protection & Endowment	449.6	0.0%
Riders	55.21	0.0%

to



# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

##### (d) Changes in assumptions (Continued)

##### - Expense Allowance (Continued)

	YE2024	
	Per coverage per annum	Per Premium
Harvest Series (Regular Pay)	862.36	3.0%
Pro-Investor	862.36	3.0%
Other Regular Pay Legacy ILAS	862.36	3.0%
WAM/Aspire/Fortuity/Aspiration	1149.88	0.0%
Heritage	1149.88	0.0%
OneFuture/CIES	1149.88	0.0%
Other Single Pay ILAS	527.11	0.0%
Protection & Endowment	463.09	0.0%
Riders	56.87	0.0%

For ROP CI, the unit cost remains unchanged from those for YE2023 except the per coverage, per premium transaction, per maturity transaction and per surrender transaction unit costs from are inflated at 3% from YE2023 to YE2024.

The YE2023 unit cost assumptions for ROP CI are as below:

- \$ 224.00 per coverage per annum
- 2% of premium for 10 year premium term and 1% of premium for 5 year premium term
- \$18.58 per premium transaction
- \$92.89 per maturity transaction
- \$65.56 per surrender transaction

to

The YE2024 unit cost assumptions for ROP CI are as below:

- \$ 230.72 per coverage per annum
- 2% of premium for 10 year premium term and 1% of premium for 5 year premium term
- \$19.14 per premium transaction
- \$95.68 per maturity transaction
- \$67.53 per surrender transaction

## **HENG AN STANDARD LIFE (ASIA) LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

#### **13 Long term business liabilities (Continued)**

##### **13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)**

###### **(e) Methods used to measure the risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the company's degree of risk aversion. The company estimates an adjustment for non-financial risk separately from all other estimates. The company does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The company will determine the overall risk adjustment for non-financial risk based on the methodology for Margin Over Current Estimate ("MOCE") from Hong Kong Risk Based Capital ("HKRBC") Quantitative Impact Study 3 ("QIS 3") technical specification.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2023: 75%).

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2024.

###### **(f) Sensitivities of underwriting risk variables**

The following tables present information on how reasonably possible changes in assumptions made by the company with regard to underwriting risk variables impact profit or loss and equity before and after risk mitigation by reinsurance contracts held.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

##### (f) Sensitivities of underwriting risk variables (Continued)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

Risk Mitigation Status Description	Scenario	2024		2023	
		Increase/(Decrease)		Increase/(Decrease)	
		Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on profit before tax	Impact on total equity (before the effects of taxation)
		Delta Balance Amount HK\$	Delta Balance Amount HK\$	Delta Balance Amount HK\$	Delta Balance Amount HK\$
Sensitivity analysis after risk mitigation by reinsurance	15% increase in mortality & morbidity rates	(16,899,033)	(16,899,033)	(7,464,675)	(7,464,675)
	10% decrease in lapse	(2,357,516)	(2,357,516)	746,410	746,410
Sensitivity analysis before risk mitigation by reinsurance	15% increase in mortality & morbidity rates	(15,841,327)	(15,841,327)	(7,129,224)	(7,129,224)
	10% decrease in lapse	(1,490,380)	(1,490,380)	1,652,245	1,652,245

The following table presents analysis of how a possible shift in market interest rates and equity prices might impact the net impact on profit or loss and equity.

Ceded	Scenario	2024		2023	
		Increase / (Decrease)		Increase / (Decrease)	
		Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on profit before tax	Impact on total equity (before the effects of taxation)
		Delta Balance Amount	Delta Balance Amount	Delta Balance Amount	Delta Balance Amount
No	Sensitivity Analysis for interest rate risk	+ 25 bps shift in yield curves	2,823,969	2,823,969	2,851,286
		- 25 bps shift in yield curves	(2,983,408)	(2,983,408)	(3,020,300)
	Sensitivity Analysis for equity price risk	25 bps increase in equity prices	-	-	-
		25 bps decrease in equity prices	-	-	-
Yes	Sensitivity Analysis for interest rate risk	+ 25 bps shift in yield curves	-	-	-
		- 25 bps shift in yield curves	-	-	-
	Sensitivity Analysis for equity price risk	25 bps increase in equity prices	-	-	-
		25 bps decrease in equity prices	-	-	-

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 13 Long term business liabilities (Continued)

#### 13.2 Assumptions, change in assumptions and sensitivity for IFRS17 (Continued)

##### (g) Sensitivities of market risk variables

The following table presents analysis of how a possible shift in market interest rates and equity prices might impact the net impact on profit or loss and equity.

Ceded	Scenario		2024		2023	
			Increase / (Decrease)		Increase / (Decrease)	
			Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on profit before tax	Impact on total equity (before the effects of taxation)
			Delta Balance Amount	Delta Balance Amount	Delta Balance Amount	Delta Balance Amount
No	Sensitivity Analysis for interest rate risk	+ 25 bps shift in yield curves	2,823,969	2,823,969	2,851,286	2,851,286
		- 25 bps shift in yield curves	(2,983,408)	(2,983,408)	(3,020,300)	(3,020,300)
	Sensitivity Analysis for equity price risk	25 bps increase in equity prices	-	-	-	-
		25 bps decrease in equity prices	-	-	-	-
Yes	Sensitivity Analysis for interest rate risk	+ 25 bps shift in yield curves	-	-	-	-
		- 25 bps shift in yield curves	-	-	-	-
	Sensitivity Analysis for equity price risk	25 bps increase in equity prices	-	-	-	-
		25 bps decrease in equity prices	-	-	-	-

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**14 Lease liabilities**

The following table shows the remaining contractual maturities of the company's lease liabilities at the end of the current and previous reporting periods:

	31 December 2024		31 December 2023	
	Present value of the lease payments HK\$	Total lease payments HK\$	Present value of the lease payments HK\$	Total lease payments HK\$
Within 1 year	5,066,178	6,450,510	7,521,489	7,679,100
After 1 year but within 2 years	5,887,792	7,036,920	-	-
After 2 years but within 5 years	25,516,755	27,561,271	-	-
	31,404,547	34,598,191	-	-
	36,470,725	41,048,701	7,521,489	7,679,100
Less: total future interest expenses		(4,577,976)		(157,611)
Present value of lease liabilities		36,470,725		7,521,489

Note: The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**15 Reinsurance contracts (liabilities)/assets**

Reinsurance contracts (liabilities)/assets is as follows:

	2024 HK\$	2023 HK\$
<b>Reinsurance contracts (liabilities)/asset</b>		
- Estimates of present value of future cash flows	(24,724,472)	(23,521,424)
- Risk adjustment for non-financial risk	1,127,383	535,994
- CSM	17,636,487	18,343,185
- Liabilities for incurred claims	4,124,800	5,395,184
	<u>(1,835,802)</u>	<u>752,939</u>

**16 Deferred income**

	2024 HK\$	2023 HK\$
Balance at the beginning of the year	33,820,657	35,223,976
Addition during the year	146,065	6,914,271
Amortisation during the year	(7,135,689)	(8,317,590)
Balance at the end of the year	<u>26,831,033</u>	<u>33,820,657</u>

**17 Trade and other payables**

	2024 HK\$	2023 HK\$
Premiums received in advance	31,388,655	51,416,053
Commission payable	2,878,727	3,517,498
Accounts payable	18,266,793	6,332,263
Accrued bonus	10,120,838	11,484,922
Provision for reinstatement cost	3,000,000	3,000,000
Other payable	16,501,690	20,122,489
Claims and withdrawal payable	8,019,428	9,625,335
Amount due to parent company	2,032,345	8,984,410
	<u>92,208,476</u>	<u>114,482,970</u>
Current	89,208,476	114,482,970
Non-current	3,000,000	-
	<u>92,208,476</u>	<u>114,482,970</u>

The carrying values of the above trade and other payables approximate their estimated fair values.

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**18 Fee income for services relating to investment contracts**

	2024 HK\$	2023 HK\$
<b>Investment contracts</b>		
Policy charges	190,514	6,573,376
Fund management charges	17,053,349	10,021,067
Surrender charges	1,350,579	698,189
Policy administration fees	(1,031)	5,511
	<u>18,593,411</u>	<u>17,298,143</u>

**19 Net investment income**

	2024 HK\$	2023 HK\$
Bank and cash equivalents interest income	2,439,979	836,235
Coupon interest income	13,256,509	8,814,269
Dividend income	803,927	511,481
Fair value gains on financial assets at fair value through profit or loss	9,120,492	8,925,093
	<u>25,620,907</u>	<u>19,087,078</u>

**20 Other operating income**

	2024 HK\$	2023 restated HK\$	2022 restated HK\$
Investment rebate from fund houses	6,668,621	4,451,465	3,631,994
Net realised exchange (losses)/gains	(354,606)	144,981	2,263,842
Net unrealised exchange gains/(losses)	1,422,162	1,004,742	(2,206,684)
Release of long outstanding unrepresented cheques	-	1,966,627	12,030,278
Other losses	(1,695,634)	(739,696)	(138,035)
	<u>6,040,543</u>	<u>6,828,119</u>	<u>15,581,395</u>

**21 Net investment contract benefits and claims**

	2024 HK\$	2023 HK\$
Long term investment contracts		
- death benefits and supplementary	17,909,409	11,848,475
- (decrease)/increase in insurance liabilities	(335,584)	389,796
	<u>17,573,825</u>	<u>12,238,271</u>

**HENG AN STANDARD LIFE (ASIA) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**22 Expenses for acquisition of service agreements relating to investment contracts**

	2024	2023
	HK\$	HK\$
Commission expense		
- Investment contracts	37,401,134	23,003,570
	<u>37,401,134</u>	<u>23,003,570</u>

**23 Other operating expenses**

	2024	2023
	HK\$	HK\$
Employee benefit expenses	67,289,170	69,689,420
Personnel related costs	2,463,884	2,794,157
Premises costs	1,623,674	1,592,517
Administrative expenses	8,825,517	10,966,605
Public relations and sponsorship expenses	3,906,369	4,945,256
Legal and professional fees	835,213	-
Auditor's fees	1,670,289	3,132,314
Depreciation (Note 5)	8,616,133	8,956,737
Amortisation (Note 6)	4,874,964	2,162,614
Other expenses	164,413	152,603
	<u>100,269,626</u>	<u>104,392,223</u>

**24 Employee benefit expenses**

	2024	2023
	HK\$	HK\$
Salaries allowances	75,064,238	79,611,868
Pension costs - mandatory provident fund scheme	2,667,392	3,086,570
Medical benefits	1,987,744	2,327,553
Employment supporting scheme	-	(1,632,000)
	<u>79,719,374</u>	<u>83,393,991</u>

The amounts represent the employee benefit expenses for attributable and non-attributable to insurance services.



# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 25 Income tax

#### (a) Current tax

No provision for Hong Kong Profits Tax is made as the Company's tax losses brought forward exceeds its assessable profits in the current year and the Company did not generate any assessable profits in the prior year.

#### (b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2024 HK\$	2023 (restated) HK\$	2022 (restated) HK\$
(Loss)/Profit before tax	(7,315,439)	(21,136,927)	4,366,499
Notional tax on profit before taxation calculated at 16.5% (2023: 16.5%; 2022: 16.5%)	(1,207,047)	(3,487,593)	720,472
Tax effect of non-deductible expenses	126,144	716,507	185,405
Tax effect of non-taxable income	(2,957,225)	(4,114,127)	(1,211,553)
Tax effect of tax losses not recognised	(18,045,700)	(2,196,282)	5,095,366
Other	22,083,828	9,081,495	(4,789,690)
Actual tax expense	-	-	-

This is for tax reconciliation purpose only. This may be subject to change at the time of tax computation, as a more detailed tax computation will be submitted to the tax authority.

#### (c) Deferred tax assets not recognised:

The Company has not recognised deferred tax assets of \$66 million (2023: \$83 million) in respect of cumulative tax losses of HK\$398 million (2023: HK\$505 million) as it is not probable that future taxable profit will be available in the near future against which the losses can be utilised. The tax losses do not expire under current tax legislation.

#### (d) Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. In December 2024, the Hong Kong SAR Government amended the Inland Revenue Ordinance to introduce a domestic minimum top-up tax which will take effect from the year ended 31 December 2025. Due to the complexities in applying the legislation, the Company is still in the progress of assessing its exposure to the Pillar Two model rules for when it comes into effective in 2025.

# HENG AN STANDARD LIFE (ASIA) LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 26 Other cash flow information

(a) Reconciliation of operating profit to net cash used in operating activities:

	2024 HK\$	2023 Restated HK\$	2022 Restated HK\$
(Loss)/Profit before tax	(7,315,439)	(21,136,927)	4,366,495
Adjustments for non-cash items:			
Depreciation	8,616,133	8,956,739	8,936,919
Amortisation of computer software	4,874,964	2,162,614	1,377,759
Dividend income	(803,927)	(511,481)	(330,670)
Interest income	(15,696,488)	(9,650,505)	(9,416,727)
Lease interest expenses	281,303	555,557	936,874
Loss on disposal of property, plant and equipment	200	-	-
Net unrealised and realised (gain)/loss from financial assets at fair value through profit or loss	(443,160,139)	(384,627,328)	1,509,877,222
(Reversal of)/Impairment loss	(82,833)	28,058	(47,406)
Changes in working capital:			
Decrease/(increase) in loans and receivables	17,286,402	22,036,517	(32,944,014)
Increase in deferred acquisition costs	(35,114,899)	(18,772,298)	(20,251,605)
Decrease/(increase) in amount due from related parties	1,787,352	(817,006)	826,721
(Increase)/decrease in financial assets	(11,220,893)	(5,084,067)	18,060,143
Decrease/(increase) in other assets	114,721	439,231	(201,444)
Change in reinsurance contracts assets/liabilities	2,588,741	(1,683,686)	(37,892,209)
Increase/(decrease) in long term liabilities	352,955,276	268,733,190	(1,354,212,695)
(Decrease)/increase in deferred income	(6,989,624)	(1,403,319)	9,491,832
(Decrease)/increase in trade and other payables	(15,322,429)	(32,139,966)	40,789,444
(Decrease)/increase in amount due to Heng An Standard Life Insurance Company Limited	(6,952,065)	835,186	4,868,864
Decrease in amount due to related parties	-	-	(194,370)
Net cash (used in)/generated from operating activities	(154,153,644)	(172,079,491)	144,041,137

(b) Total cash outflow for leases

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

	2024 HK\$	2023 HK\$
Within operating cash flows	1,010,773	1,037,201
Within financing cash flows	6,981,000	8,377,200
	<u>7,991,773</u>	<u>9,414,401</u>

## HENG AN STANDARD LIFE (ASIA) LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### 27 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and section 26(p) of Part 5 of Schedule 3 to the Ordinance are as follows:

	2024 HK\$	2023 HK\$
Directors' fees	663,000	1,033,500
Other emoluments	3,509,560	3,519,832
Retirement scheme contributions	50,683	44,834
	<u>4,223,243</u>	<u>4,598,166</u>

The aggregate amount of the emoluments paid to the three highest paid directors was HK\$4,106,243 (2023: HK\$4,234,166).

#### Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### 28 Material related party transactions and balances

##### (a) Key management personnel remuneration

Remuneration for key management personnel of the Company, including amounts paid to the Company's directors as disclosed in note 27, is as follows:

	2024 HK\$	2023 HK\$
Short-term employee benefits	16,350,461	18,689,286
Post-employment benefits	697,538	673,700
	<u>17,047,999</u>	<u>19,362,986</u>

Total remuneration is included in "employee benefit expenses" (see note 23).

**HENG AN STANDARD LIFE (ASIA) LIMITED****NOTES TO FINANCIAL STATEMENTS****28 Material related party transactions and balances (Continued)****(b) Transactions with other related parties**

The following transactions were carried out with related parties:

**(i) Related-party transactions**

	2024 HK\$	2023 HK\$
Purchase of mutual funds managed by related parties	321,856,114	218,922,419
Sale of mutual funds managed by related parties	302,100,791	272,699,227
Investment rebate received from related parties	3,147,853	3,323,323
Reimbursement paid to a related party	2,740,154	635,201
Service fee paid to a related party	688,464	568,490

**(ii) Year-end balances**

	2024 HK\$	2023 HK\$
Investment rebate receivable from related parties	1,098,997	755,650
Amount due from related parties	328,046	2,477,216
Amount due to Heng An Standard Life Insurance Company Limited	(2,013,874)	(8,984,410)

All balances are unsecured, interest free and have no fixed terms of repayment.

None of the balances due from related parties are past due or impaired.

At 31 December 2024, amount of HK\$429,517,238 (2023: HK\$379,487,027) investments in mutual funds are managed by related parties of the Company.

**29 Immediate and ultimate controlling party**

At 31 December 2024 and 2023, the directors consider the immediate parent is Heng An Standard Life Insurance Company Limited, which is incorporated in PRC, and the ultimate controlling parties are Tianjin TEDA International Holdings (Group) Company Limited, which is incorporated in PRC, and abrdrn plc (formerly known as Standard Life Aberdeen plc), which is incorporated in United Kingdom. Each of Tianjin TEDA International Holdings (Group) Company Limited and abrdrn plc owns 50% of the shares in Heng An Standard Life Insurance Company Limited. Abrdrn plc produces financial statements available for public use.

**HENG AN STANDARD LIFE (ASIA) LIMITED****NOTES TO FINANCIAL STATEMENTS****30 Commitments****Capital commitment**

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2024 HK\$	2023 HK\$
Intangible assets	~	550,000

**31 Long term business liabilities**

Long term business liabilities of insurance contracts is as follows:

	2024 HK\$	2023 restated HK\$	2022 restated HK\$
<b>Insurance contracts asset</b>			
- Estimates of present value of future cash flows	5,327,945,077	5,406,787,275	5,380,006,003
- Risk adjustment for non-financial risk	45,523,135	48,885,467	51,029,110
- CSM	384,215,422	401,098,607	399,017,994
- Liabilities for incurred claims	5,124,149	4,877,233	5,402,837
<b>Total</b>	<u>5,762,807,783</u>	<u>5,861,648,582</u>	<u>5,835,455,944</u>