The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.

Application Proof of

FWD GROUP HOLDINGS LIMITED
富衛集團有限公司

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")/the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

THIS APPLICATION PROOF IS NOT FOR PUBLICATION OR DISTRIBUTION TO PERSONS IN THE UNITED STATES. ANY SECURITIES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES WITHOUT REGISTRATION THEREUNDER OR PURSUANT TO AN AVAILABLE EXEMPTION THEREFROM. NO PUBLIC OFFERING OF THE SECURITIES WILL BE MADE IN THE UNITED STATES.

NEITHER THIS APPLICATION PROOF NOR ANY INFORMATION CONTAINED HEREIN CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR IN ANY OTHER JURISDICTIONS WHERE SUCH OFFER OR SALE IS NOT PERMITTED. THIS APPLICATION PROOF IS NOT BEING MADE AVAILABLE IN, AND MAY NOT BE DISTRIBUTED OR SENT TO ANY JURISDICTION WHERE SUCH DISTRIBUTION OR DELIVERY IS NOT PERMITTED.

No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

FWD insurance

FWD GROUP HOLDINGS LIMITED
富衛集團有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (including [REDACTED] and [REDACTED]) (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per [REDACTED] plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**US$0.01 per Share**
Stock Code	**:**	**[·]**

Joint Sponsors, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]

Morgan Stanley　Goldman Sachs　招銀国际 CMB INTERNATIONAL　J.P.Morgan

[REDACTED]

Financial Adviser

HSBC

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in "*Appendix VI – Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display*", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

The **[REDACTED]** is expected to be determined by agreement between the **[REDACTED]** (on behalf of the **[REDACTED]**), our Company on the **[REDACTED]**, which is expected to be on or about **[REDACTED]** and, in any event, not later than **[REDACTED]**. The **[REDACTED]** will not be more than HK$**[REDACTED]** per **[REDACTED]** and is expected to be not less than HK$**[REDACTED]** per **[REDACTED]**, unless otherwise announced.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The **[REDACTED]** may be offered, sold or delivered (a) in the United States only to persons who are QIBs in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, registration requirements of the U.S. Securities Act and (b) outside the United States in offshore transactions in accordance with Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "*Risk Factors*". The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Such grounds are set out in "**[REDACTED]**". It is important that you refer to that section for further details.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**] *and the* [**REDACTED**]*, and does not constitute an* [**REDACTED**] *to sell or a solicitation of an* [**REDACTED**] *to buy any securities other than the* [**REDACTED**] *by this document pursuant to the* [**REDACTED**]*, the* [**REDACTED**] *and the* [**REDACTED**]*. This document may not be used for the purpose of, and does not constitute, an* [**REDACTED**] *or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the* [**REDACTED**] *of the* [**REDACTED**] *in other jurisdictions are subject to restrictions and may not be made except as permitted under the application securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

You should rely only on the information contained in this document to make your [**REDACTED**] *decision. The* [**REDACTED**] *is made solely on the basis of the information contained and the representations made in this document. Neither our Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by our Company or any of the Relevant Persons. Information contained on our website, at* ***www.fwd.com****, does not form part of this document.*

CONTENTS

CONTENTS

This summary is intended to give you an overview of the information contained in this document. Since it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide whether to invest in the [**REDACTED**]. *Some of the particular risks of investing in the* [**REDACTED**] *are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the* [**REDACTED**].

Overview

We are a fast-growing Pan-Asian life insurer with a customer-led and digitally-enabled model. We were founded in 2013 by our founder, Mr. Li, with the ambition of forging our own path as a next-generation insurer in Asia. Our vision is *changing the way people feel about insurance*. By adopting a multi-channel distribution model, investing in robust technology capabilities, digital infrastructure and data analytics, as well as expanding partnership and referral opportunities, we have been able to quickly capture market opportunities and stay ahead of the industry average in terms of certain key performance indicators, such as Annualised Premium Equivalent ("**APE**") growth rates, in the markets in which we operate. We have built our leadership team and culture to align with this vision.

We have grown from three markets at inception to ten markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, and Emerging Markets, comprising the Philippines, Indonesia, Singapore, Vietnam and Malaysia (collectively, the "**FWD markets**", each a "**FWD market**"). We have entered certain of these new markets by obtaining new licenses (such as in the Philippines and Indonesia) or via the acquisition of licensed life insurers with limited operations locally (such as in Singapore, Vietnam, Malaysia and Cambodia). Excluding the declining corporate-owned life insurance ("**COLI**") business in Japan due to taxation rule changes, our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets operations contributed 31.1%, 33.0%, 15.6% and 20.3% of our value of new business ("**VNB**") in 2021 and 23.5%, 39.2%, 16.5% and 20.7% of our VNB in the three months ended 31 March 2022, respectively. This provides us with access to some of the fastest growing insurance markets in the world with an expanding but underinsured population. Within our Southeast Asia markets (comprising Thailand (and Cambodia), Philippines, Indonesia, Singapore, Vietnam and Malaysia), which contributed over 50% of our VNB in 2021 and the three months ended 31 March 2022, we are the fifth largest insurer with a market share of 4.7% in 2021 according to NMG.

Our APE has grown 4.7 times from 2014, our first full year of operations, to 2021, increasing from US$309 million in 2014 to US$1,446 million in 2021, and our VNB grew 5.6 times over the same period, increasing from US$123 million in 2014 to US$686 million in 2021. Our APE and VNB further grew to US$405 million and US$191 million in the three months ended 31 March 2022 in comparison to US$404 million and US$172 million in the three months ended 31 March 2021, respectively. We recorded total revenue of US$11,697 million and a net profit of US$249 million in 2021, in contrast to net losses of US$332 million and US$252 million in 2019 and 2020, respectively. Our net losses in 2019 and 2020 resulted primarily from our operating expenses and the investments made to grow our business as well as financing costs and other non-recurring costs, including implementation costs for IFRS 9 and 17 and Group-wide supervision, one-off costs of integration activities, and [**REDACTED**]-related costs. See "*Financial Information – Discussion of Key Performance Indicators*" for more details. Although we recorded a net profit for 2021, this was the result of (i) gains in short-term fluctuations in investment returns related to equities and property investment due to actual investment returns being significantly higher than the expected long-term investment returns used in our assumptions, and (ii) net profit from discontinued operations. In 2022, we do not expect a recurrence of such factors, in particular the gains arising from differences between actual and assumed long-term investment returns. As a result, we expect to return to a net loss position in 2022 and may record net losses in future periods as we continue to grow our business scale and presence and incur related costs. We recorded total revenue of US$2,733 million and a net loss of US$101 million in the three months ended 31 March 2022.

We are customer-led and we put customers at the heart of everything we do. We have adopted a digitally-enabled, multi-channel distribution model to effectively serve customers wherever, whenever and however they choose. Our distribution channels include bancassurance, agency, brokerage/IFA and others, which includes neo-insurance and other distribution channels. Excluding the COLI business in Japan, these channels contributed 40.4%, 26.0%, 23.9% and 9.7% of VNB in 2021 respectively. We have built a leading Southeast Asian bancassurance franchise with seven exclusive partnerships. We are ranked sixth among multi-national insurers globally in terms of the number of Million Dollar Round Table ("**MDRT**") registered members in 2022, up from tenth in 2021. We have also built a neo-insurance model to effectively reach tech-savvy and young-at-heart customers through our D2C eCommerce platform, our bank partners' digital channels and ecosystem partners' platforms supported by application programming interface ("**API**") integration and O2O referral programmes. Together, our distribution channels grant us access to a number of exclusive and non-exclusive bank partners, with a combined customer base of up to 200 million, according to NMG.

We offer easy-to-understand and relevant propositions through our diverse portfolio of life insurance, health insurance, employee benefits (group insurance) and financial planning products. We classify our key products into (i) participating life, (ii) non-participating life, (iii) critical illness, term life, medical and riders, (iv) unit-linked insurance, (v) group insurance, and (vi) COLI, which contributed 19.9%, 19.1%, 38.7%, 11.2%, 6.9% and 4.2% of VNB in 2021, respectively. Through our digital tools and data analytics, we have made our customers' insurance journeys simpler, faster and smoother. We also recorded significant growth in our individual policyholders from approximately 0.8 million as of 31 December 2015 to 5.3 million as of 31 March 2022. Our individual policyholders increased at a CAGR of 12.2% from 31 December 2019 to 31 March 2022. Importantly, we have gained traction amongst the millennial (defined as those aged under 40) customer segment, which has high lifetime value, according to NMG.

We are a digitally-enabled insurer. Underpinned by our data analytics and technology capabilities, we have constructed a digital architecture that is standardised across our Group. Our integrated, cloud-based Data Lake captures a holistic customer view and informs every customer interaction and decision across business divisions in real time. Our digital systems and toolkits across our prospecting, purchasing, underwriting, claims and servicing functions are built upon artificial intelligence ("**AI**") and big data analytics. To further our digital capabilities, we have continued to expand our investment in research and development budget and technology headcount.

We have experienced substantial growth and demonstrated a strong track record of execution, and our business is supported by a strong balance sheet to allow for future growth. The solvency ratios of our key operating companies in Hong Kong, Thailand and Japan were 233%, 341% and 1,248% as of 31 March 2022, respectively, and 237%, 357% and 1,155% as of 30 June 2022, respectively, which are well above the minimum local regulatory requirements in these markets. Under the group-wide supervision framework which came into effect in May 2021 ("**GWS**"), our cover ratio assessed under the local capital summation method (the "**LCSM**") as of 31 December 2021, 31 March 2022 and 30 June 2022 would be 592%, 577% and 593%, respectively, and the ratio of our tier 1 capital to our GMCR would be 315%, 325% and 302%, respectively, before giving effect to the [**REDACTED**] of the [**REDACTED**], assuming that all of our outstanding preference shares and convertible preference shares had been exchanged for ordinary shares on that date. See "*Financial Information – Group Capital Adequacy*" for details.

Our Competitive Strengths

We believe that the following competitive strengths have provided us with the ability to maintain our strong growth: (a) we are a fast-growing Pan-Asian life insurer capturing growth opportunities in the most attractive markets in the region; (b) we offer compelling customer propositions with a distinctive brand; (c) we have elite, tailored and tech-enabled multi-channel distribution capabilities; (d) we have purpose-built digital infrastructure and with data analytics at the core; (e) we have gained advantaged access to millennials; and (f) we have delivered agile execution under the leadership of a highly experienced management team.

Our Growth Strategies

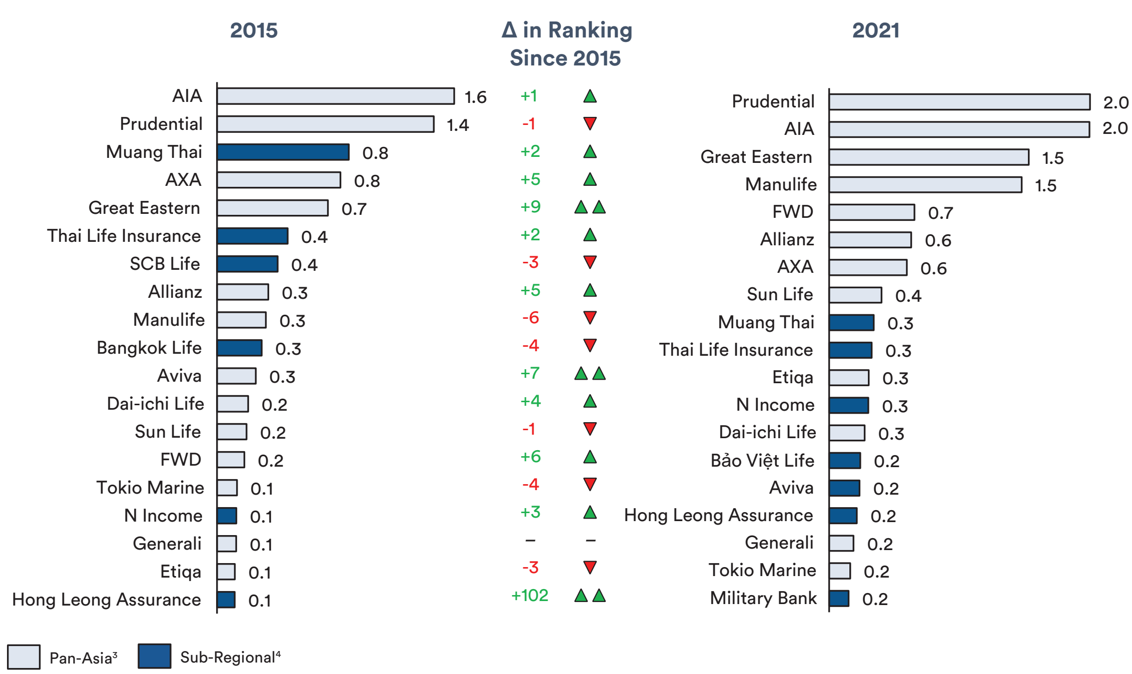
To maintain our strong growth momentum, we plan to implement the following strategies: (a) generate lifetime value by reinforcing leadership in customer acquisition and engagement; (b) increase scale and productivity by digitalising, expanding and activating new partnerships; (c) enhance protection mix and achieve VNB margin uplift through relevant propositions; (d) optimise customer experience and boost operating leverage through continued investment in digitalisation; and (e) create additional value by pursuing selective value-enhancing expansion opportunities.

Our Market Positioning

We operate in seven of the ten fastest-growing markets in Asia, the majority of which are in Southeast Asia. Southeast Asia and Mainland China are expected to be the key drivers of growth in the Asia life insurance market, given the population base, the proportion of the middle class in the overall population, and the larger protection gap, compared to the rest of the Asia region.

The competitive landscape of Southeast Asia's life insurance industry has changed dramatically in a short period of time. In terms of ranking by new business APE in our Southeast Asia markets (comprising Thailand (and Cambodia), Philippines, Indonesia, Singapore, Vietnam and Malaysia), we are estimated to have grown from fourteenth place in 2015 to fifth place in 2021, making us the fastest-growing Pan-Asian life insurer (defined as a life insurer who competes in three or more FWD markets) in that period. This is illustrated in the following charts, which also include our market ranking and market share by new business APE in each FWD market in 2021. We tailor our approach in each market to capture the unique opportunities with specific distribution and product strategies, primarily focusing on driving VNB growth. We hence do not seek to solely compete on market share, particularly in newly entered markets during the Track Record Period.

Insurers Across Southeast Asia FWD Markets[1] by Individual New Business
(New Business APE[2], 2021)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

(1) Southeast Asia FWD Markets includes Thailand (and Cambodia), the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(2) Using static FX rates as at 30 June 2021.

(3) Pan-Asia is defined as players who compete in 3 or more FWD markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(4) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

Individual Life Insurance Market Share Rankings Across FWD Markets

(New Business APE[1], 2021)

Hong Kong & Macau	
HSBC	20%
China Life	20%
BOC LIFE	12%
AIA	11%
Taiping	7%
Manulife	7%
Prudential	5%
FWD (#8)	**4%**
AXA	3%
FTLife	2%

Thailand	
AIA	24%
FWD(#2)	**15%**
Muang Thai	12%
Thai Life Insurance	12%
AXA	9%
Prudential	7%
Allianz	5%
Bangkok Life	5%
Tokio Marine	2%
Generali	2%

Vietnam	
Manulife	23%
Prudential	13%
Dai-ichi Life	12%
Bảo Việt Life	12%
AIA	8%
Military Bank	8%
Sun Life	5%
FWD (#8)	**5%**
Generali	3%
CHUBB	3%

Philippines	
Sun Life	20%
Prudential	17%
AXA	10%
Manulife	8%
AIA	8%
Allianz	7%
BDO Life	7%
FWD (#8)	**6%**
Insular Life	3%
Ageas	3%

Japan	
Nippon Life	20%
Dai-ichi Life	11%
Mitsui Sumitomo	7%
PFI	7%
Taiyo Life	7%
Sumitomo Life	7%
Meiji Yasuda Life	6%
Sony Life	6%
MetLife	5%
AXA	4%
FWD (#19)	**1%**

Malaysia	
Prudential	23%
Great Eastern	19%
AIA	18%
Hong Leong Assurance	9%
Etiqa	9%
Allianz	7%
Sun Life	3%
Zurich	2%
Tokio Marine	2%
Manulife	2%
FWD (#11)	**1%**

Indonesia	
Allianz	14%
Prudential	12%
AIA	9%
AXA	9%
Simas Jiwa	8%
Capital Life	7%
Manulife	6%
BRI Life	4%
Generali	4%
Sun Life	3%
FWD (#18)	**1%**

Singapore	
Great Eastern	27%
Manulife	20%
Prudential	16%
AIA	13%
N Income	8%
Aviva	4%
AXA	2%
Etiqa	2%
Sing Life	2%
HSBC	2%
FWD (#12)	**1%**

Pan-Asia[2]
Sub-Regional[3]

Source: NMG Asia Life Insurance Market Model

(1) Using static FX rates as at 30 June 2021.

(2) Pan-Asia is defined as competing in 3 or more FWD markets, where FWD markets include: Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(3) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

Recent Developments

Impact of the COVID-19 Pandemic

Our business has been and may continue to be affected by the COVID-19 pandemic. Despite the roll-out of mass vaccination programmes, significant COVID-19 related restrictions, including those in response to the relatively recent outbreaks of the Delta variant and subsequently the Omicron variant, have continued and in some instances, have been significantly tightened, in markets in which we operate. However, unlike other businesses which may have been forced to close or cease operations, leading to a quantifiable loss that can be isolated, our businesses have continued to operate, and it is inherently impossible for us to provide a definitive quantification of the impact or our potential losses as a result of the COVID-19 pandemic.

With the backdrop of this challenging operating environment, our business delivered a strong performance in 2021, during which our Underlying VNB increased by 25.7% on a CER basis (24.5% on an AER basis) as well as in the three months ended 31 March 2022, during which our VNB increased by 17.5% on a CER basis (11.0% on an AER basis) compared to the three months ended 31 March 2021. Further, there has been an increase in the overall awareness from the general public for the need for health protection, within the overall context of rising demand for life and health insurance post-COVID-19 pandemic, demonstrated by the historical trend of increasing protection mix.

The intra-country travel restrictions have affected our distributors' ability to interact with customers through face-to-face meetings, which has affected and may continue to affect our revenue. In light of this, our distributers have had to adjust their operations. We have made significant efforts to digitalise the face-to-face sales process through the development of various tools and platforms to empower our distributors and provide the necessary support. For example, prospecting tools such as FWD Affiliates (a social media engagement platform which enables our agents to broaden their sales network online despite lockdowns) and FWD ePOS (a point of sales system which provides real-time customer analysis, engagement support and quick quotes) have supported our distributors for digitally-enabled policy sales. We continue to invest in our robust technology capabilities and cloud-based digital infrastructure to enhance our digitalised sales process to support our distributors facing restrictions on face-to-face engagements during the COVID-19 pandemic. We believe that as a result of our support and partnership with our distributors and employees, we have not encountered any material disruption in terms of our agency force, our other distribution partners or our labour supply.

While there has been a simultaneous increase in customer demand for health insurance and a shift towards contactless selling and services, border controls and travel restrictions, such as those imposed in Hong Kong, and the continuing uncertainty over the extent and timing of the re-opening of the border between Hong Kong and mainland China, have had and may continue to have an adverse effect on our sales to MCVs and other customers. As a result of the border controls and travel restrictions since 2020 which have impacted the policy sales to MCVs and has thereby reduced offshore policy contracts, our offshore APE in Hong Kong (and Macau) declined from US$207 million in 2019 to US$91 million in 2020 before recovering moderately to US$127 million in 2021 and US$38 million in the three months ended 31 March 2022 due to the easing of travel restrictions in Macau.

COVID-19 related claims represented 11.4% of the total claim amount in 2021. The Philippines was particularly hard hit, with 30.8% of the total claim amount in 2021 coming from COVID-related claims. However, despite the increase in COVID-19 related death and medical claims in 2021, the total non-COVID-19 related claim amount in fact declined by 2.0% from 2020 to 2021, with the total claims experience in 2021 remaining below 90% of our pricing expectations. Further, the total medical-only claims experience in 2021 remained at approximately 80% of our expected level, offsetting and mitigating against the impact of COVID-19.

On persistency, of the three of our largest business units (Hong Kong (and Macau), Thailand (and Cambodia) and Japan), only Hong Kong saw a slight dip in persistency in 2020 during COVID-19, as measured by 13-month persistency rates, declining from approximately 91% in 2019 to approximately 79% in 2020 before rebounding strongly to approximately 87% in 2021. Thailand saw a strong growth in persistency throughout the Track Record Period, from approximately 67% in 2019 (excluding SCB Life), to approximately 87% in 2020, and further to approximately 91% in each of 2021 and the three months ended 31 March 2022, whereas Japan was able to maintain the persistency level at a strong mid-90% range throughout the Track Record Period. The Company continues to closely track and monitor the persistency rate and take any remedial action if needed.

We continue to monitor the development of the COVID-19 pandemic, including the Omicron and other variants, closely. We believe that there is no material adverse impact from the Omicron variants on our business operations and financial performance after the Track Record Period. However, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. See "*Risk Factors – The COVID-19 pandemic has caused and may continue to cause disruption to our operations and negatively affect our business, financial condition, and results of operations*". Meanwhile, we have been supporting our communities in their fight against the COVID-19 pandemic. See "*Business – Environmental, Social and Governance Matters – COVID-19 Responses.*"

No Material Adverse Change

Save as disclosed in this document, the Directors believe that there has been no material adverse change in our financial or trading position since 31 March 2022, being the date as at which our latest audited consolidated financial statements were prepared as set out in the Accountants' Report set forth in Appendix I to this document.

Summary of Risk Factors

An [**REDACTED**] in our Shares is subject to a number of risks, including risks relating to our business, risks relating to credit, counterparties and investments, risks relating to our products and product distribution channels, risks relating to the insurance industry, risks relating to legal and regulatory matters, risks relating to our technology, risks relating to our Controlling Shareholders and certain other shareholders, and risks relating to the [**REDACTED**]. You should carefully consider all of the information in this document, in particular the section headed "*Risk Factors*", before making an [**REDACTED**] in the Shares. We believe that some of the most significant risks we face include: (a) intense competition in the segments of the insurance industry in which we operate in each of our markets could negatively affect our ability to attain growth and scale or increase profitability; (b) extensive regulation across multiple jurisdictions; (c) the ongoing disruptions to our business from the COVID-19 pandemic; (d) our business has evolved through a number of strategic transactions and the information presented in our financial statements may not be indicative of our future performance and prospects; (e) the risk of not being able to execute our strategic initiatives, manage our growth and integrate and realise synergies from our acquisitions; (f) compliance with existing and future solvency ratio and capital requirements may force us to raise additional capital, change our business strategy or reduce our growth, which could increase our financing costs; and (g) inability to obtain financing from external sources in a timely manner, in amounts or on terms which are commercially acceptable.

Our Controlling Shareholders

Immediately following the completion of the [**REDACTED**] (assuming (a) Phase 2 of the Reorganisation, the [**REDACTED**] and the [**REDACTED**] have become unconditional and completed; (b) in accordance with Phase 2 of the Reorganisation, the CPS of FL and FGL are converted to Shares based on the [**REDACTED**] and the expected [**REDACTED**] of [**REDACTED**]; and (c) the [**REDACTED**] is not exercised; and do not take into account any Shares which may be issued between the Latest Practicable Date and the [**REDACTED**] to satisfy any exercise of any option granted or to be granted under the [**REDACTED**] Awards, or issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase shares), Mr. Li will be deemed to control approximately [**REDACTED**]% of our enlarged total issued share capital as (i) Mr. Li's Entities will be deemed to control approximately [**REDACTED**]% of our enlarged total issued share capital and (ii) Falcon 2019 Co-Invest GP, the general partner of Falcon 2019 Co-Invest A, L.P., will be deemed to control approximately [**REDACTED**]% of our enlarged total issued share capital. Mr. Li, Mr. Li's Entities and the Fornax Entities together are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company and, accordingly, Mr. Li (together with Mr. Li's Entities) and the Fornax Entities will be considered as the Controlling Shareholders of our Company for the purposes of, and as defined under, the Listing Rules immediately following the completion of the [**REDACTED**]. For further details of our Controlling Shareholders, please refer to the section headed "*Relationship with the Controlling Shareholders*".

Our [REDACTED] Investors

Shortly following the acquisition of the life insurance companies in Hong Kong, Macau and Thailand, as well as the general insurance, employee benefits, MPF business and financial planning businesses in Hong Kong, from ING by Mr. Li in 2013, Swiss Re Investments acquired a 12.34% equity interest in the Group. Thereafter, the Group received several rounds of [**REDACTED**] Investments, including through the subscription of securities issued by FL and FGL, as well as more recently, the subscription of Shares in our Company. For further details of the [**REDACTED**] Investments, please refer to the section headed *"History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments"*.

Dividends and Dividend Policy

Our Company has not declared or made any dividend or other distribution to its shareholders in the past and it does not have any present plan to declare or pay any dividends on its ordinary shares in the foreseeable future. The Group currently intends to retain most, if not all, of available funds and any future earnings to operate and expand the business. Any other future determination to pay dividends will be made at the discretion of our Board and subject to our constitutional documents and applicable laws and regulations. In addition, we are required to obtain the HKIA's prior written consent before declaring or paying dividends on our ordinary shares. See "*Risks Relating to the* [**REDACTED**] *– Because we do not expect to pay cash dividends in the foreseeable future after the* [**REDACTED**]*, you may not receive any return on* [**REDACTED**] *unless you sell your Shares for a price greater than that which you paid for them.*" and "*Regulatory Overview and Taxation – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Payment of dividends.*" The Group may also be subject to certain covenants in outstanding indebtedness which may restrict its ability to declare or pay any dividend on its ordinary shares. If we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant.

Summary of Historical Financial Information

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our consolidated financial statements, together with the accompanying notes set out in the Accountants' Report included in Appendix I to this document, as well as the "*Financial Information*" section. Our consolidated financial statements have been prepared in accordance with IFRS. We have also presented a number of key performance indicators that we believe are useful in evaluating our performance. See "*– Financial Performance and Outlook*" and "*– Key Performance Indicators*".

Summary Consolidated Statements of Comprehensive Income

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
			(US$ millions)		
REVENUE					
Net premiums and fee income	5,127	7,682	9,302	2,559	2,576
Investment return	955	1,581	2,137	425	86
Other operating revenue	150	224	258	73	71
Total revenue	**6,232**	**9,487**	**11,697**	**3,057**	**2,733**
EXPENSES					
Insurance and investment contract benefits	5,362	7,941	9,396	2,525	2,209
Insurance and investment contract benefits ceded	(477)	(646)	(731)	(227)	(120)
Net insurance and investment contract benefits	4,885	7,295	8,665	2,298	2,089
Commission and commission-related expenses	416	832	1,121	305	356
General expenses	1,010	1,212	1,243	279	268
Finance costs	109	209	184	39	30
Other expenses	155	157	167	48	32
Total expenses	**6,575**	**9,705**	**11,380**	**2,969**	**2,775**
Share of profit/(loss) from associates and joint ventures	7	(1)	9	2	(2)
Profit/(loss) before tax from continuing operations	(336)	(219)	326	90	(44)
Tax benefit/(expense) from continuing operations	20	(53)	(126)	(33)	(57)
Profit/(loss) from continuing operations after tax	**(316)**	**(272)**	**200**	**57**	**(101)**
Profit/(loss) from discontinued operations, net of tax	**(16)**	**20**	**49**	**49**	**–**
Net profit/(loss)	**(332)**	**(252)**	**249**	**106**	**(101)**
Less:					
Net loss of the Company and Financing Entities[1]	2	36	–	–	–
NON-IFRS MEASURE					
Adjusted net profit/(loss)[2]	**(330)**	**(216)**	**249**	**106**	**(101)**
Attributable to:					
Shareholders of the Company (non-IFRS measure)	(365)	(268)	188	93	(114)
Perpetual securities (non-IFRS measure)	38	65	65	16	13
Non-controlling interests (non-IFRS measure)	(3)	(13)	(4)	(3)	–

Notes:

(1) Non-IFRS measure. Mainly consists of finance costs on bank borrowings and guaranteed notes of US$2 million and US$36 million for the years ended 31 December 2019 and 2020, respectively, that were transferred to PCGI Holdings Limited as part of the Reorganisation disclosed in Note 1.2.2 to the Accountants' Report.

(2) To provide a more meaningful representation of our results of operations, we have presented adjusted net profit/(loss), which is a non-IFRS measure that excludes the net loss of the Company and Financing Entities, assuming the Reorganisation was completed as of 1 January 2019, since these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management. See Note 1.2.2 and Note 6.3 to the Accountants' Report included in Appendix I for more information. The net loss of the Company and Financing Entities excluded from adjusted net profit/(loss) principally comprised financing costs related to bank borrowings and guaranteed notes that were novated and transferred to a related third party as part of the Reorganisation. Such Financing Entities did not become part of the Group until the Reorganisation and expenses were recorded as part of the Group's costs.

The following table presents our adjusted net profit/(loss) (non-IFRS measure) as reconciled with our net profit/(loss) in for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ millions)		
Net profit/(loss)	**(332)**	**(252)**	**249**	**106**	**(101)**
Less:					
Net loss of the Company and Financing Entities	2	36	–	–	–
Interest income	(1)	(1)	–	–	–
General expenses	1	1	–	–	–
Finance costs	2	36	–	–	–
Adjusted net profit/(loss) (non-IFRS measure)	**(330)**	**(216)**	**249**	**106**	**(101)**
Attributable to:					
Shareholders of the Company[1]	(365)	(268)	188	93	(114)
Perpetual securities[1]	38	65	65	16	13
Non-controlling interests[1]	(3)	(13)	(4)	(3)	–

Note:

(1) Non-IFRS measure.

Summary Consolidated Balance Sheet

	As of 31 December			As of 31 March
	2019	2020	2021	2022
	(US$ millions)			
ASSETS				
Intangible assets	**3,487**	**3,531**	**3,348**	**3,332**
Assets other than financial investments(1)	**10,867**	**13,377**	**13,009**	**13,002**
Financial investments				
Loans and deposits	1,701	1,754	1,688	1,761
Available for sale debt securities	30,837	37,839	37,156	35,655
At fair value through profit or loss:				
Debt securities	109	129	79	78
Equity securities	4,111	5,740	8,253	8,248
Derivative financial instruments	193	180	120	131
Total financial investments	**36,951**	**45,642**	**47,296**	**45,873**
Total assets	**51,305**	**62,550**	**63,653**	**62,207**
LIABILITIES				
Insurance and investment contract liabilities	37,656	45,481	48,198	48,812
Financial liabilities(2)	4,113	3,671	2,369	2,501
Liabilities – other than above(3)	4,006	5,173	4,139	3,997
Total liabilities	**45,775**	**54,325**	**54,706**	**55,310**
Total equity	**5,530**	**8,225**	**8,947**	**6,897**
Add: Share capital and share premium	1,028	1,713	1,692	1,226
Less: Non-controlling interests(5)	(966)	(1,713)	(1,692)	(1,226)
NON-IFRS MEASURE				
Adjusted total equity(4)	**5,592**	**8,225**	**8,947**	**6,897**
Attributable to:				
Shareholders of the Company (non-IFRS measure)	3,946	6,611	7,339	5,557
Perpetual securities (non-IFRS measure)	1,608	1,607	1,607	1,339
Non-controlling interests (non-IFRS measure)(5)	38	7	1	1

Notes:

(1) Primarily consists of property, plant and equipment, reinsurance assets, deferred acquisition costs, cash and cash equivalents, other miscellaneous non-financial assets and assets classified as held-for-sale.

(2) Includes borrowings and derivative financial instruments.

(3) Consists of deferred ceding commission, provisions, deferred tax liabilities, current tax liabilities, other liabilities and liabilities directly associated with assets classified as held-for-sale.

(4) To provide a more meaningful representation of our total equity, we have presented adjusted total equity, which is a non-IFRS measure, assuming the Reorganisation was completed as of 1 January 2019. See Note 6.3 to the Accountants' Report included in Appendix I for details.

The following table sets forth our total equity and adjusted total equity (non-IFRS measure), assuming the Reorganisation was completed as of 1 January 2019, as of the dates indicated:

	Year ended 31 December			As of 31 March
	2019	2020	2021	2022
	(US$ millions)			
Total equity attributable to shareholders of the Company	2,918	4,898	5,647	4,331
Perpetual securities	1,608	1,607	1,607	1,339
Non-controlling interests[(1)]	1,004	1,720	1,693	1,227
Total equity	**5,530**	**8,225**	**8,947**	**6,897**
Share capital and share premium	1,028	1,713	1,692	1,226
Non-controlling interests	(966)	(1,713)	(1,692)	(1,226)
Adjusted total equity (non-IFRS measure)	**5,592**	**8,225**	**8,947**	**6,897**
Adjusted total equity attributable to				
Shareholders of the Company (non-IFRS measure)	3,946	6,611	7,339	5,557
Perpetual securities (non-IFRS measure)	1,608	1,607	1,607	1,339
Non-controlling interests (non-IFRS measure)[(1)]	38	7	1	1

Note:

(1) The non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company, which will become equity of the Company upon the completion of the Reorganisation. See "*History, Reorganisation and Corporate Structure – Reorganisation*." The key terms of preference shares and convertible preference shares are summarised in Note 29.4 to the Accountants' Report included in Appendix I.

(5) The non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company, which will become equity of the Company upon the completion of the Reorganisation. See "*History, Reorganisation and Corporate Structure – Reorganisation.*" The key terms of preference shares and convertible preference shares are summarised in Note 29.4 to the Accountants' Report included in Appendix I.

Summary Consolidated Statements of Cash Flows

	As of 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Net cash provided by/(used in) operating activities	(32)	(2)	(868)	146	384
Operational cash flows from insurance business	1,234	2,483	3,532	985	900
Cash advances from a related party novated in Reorganisation[(1)]	60	360	–	–	–
Cash flows from repurchase and forward agreements	–	429	(238)	(81)	578
Interest and dividends from investment portfolio	832	1,252	1,444	254	253
Purchases, maturities and sales of financial investments	(2,158)	(4,526)	(5,606)	(1,012)	(1,347)
Net cash used in investing activities	(3,351)	(533)	(94)	(138)	(475)
Net cash provided by/(used in) financing activities	3,774	1,353	948	(98)	(232)
Net increase/(decrease) in cash and cash equivalents	**391**	**818**	**(14)**	**(90)**	**(323)**
Cash and cash equivalents at beginning of year	1,493	1,911	2,740	2,740	2,654
Effect of exchange rate changes on cash and cash equivalents	27	11	(72)	(52)	(19)
Cash and cash equivalents at end of year[(1)]	**1,911**	**2,740**	**2,654**	**2,598**	**2,312**

Note:

(1) Included in cash and cash equivalents as of 31 December 2020 and 2021, US$10 million and US$2 million, respectively, in assets classified as held-for-sale in the consolidated statements of financial positions.

Financial Performance and Outlook

Profit and loss performance over the Track Record Period

In 2021, we recorded a net profit of US$249 million, and in 2019 and 2020, we recorded net losses of US$332 million and US$252 million, respectively. In the three months ended 31 March 2022, we recorded net loss of US$101 million compared to net profit of US$106 million in the three months ended 31 March 2021. Our net losses in 2019, 2020 and the three months ended 31 March 2022 resulted primarily from our operating expenses and the investments made to grow our business during these periods as well as financing costs and other non-recurring costs, including but not limited to implementation costs for IFRS 9 and 17 and Group-wide supervision, one-off costs of integration activities, and [**REDACTED**]-related costs including incentive costs. Although we recorded a net profit for 2021, including in the three months ended 31 March 2021, this was the result of (i) gains in short-term fluctuations in investment returns related to equities and property investment during the period, which increased from US$40 million in 2019 to US$503 million in 2021 due to actual investment returns being significantly higher than the expected long-term investment returns used in our assumptions, and (ii) net profit from discontinued operations.

Our adjusted operating profit before tax, a non-IFRS measure, which is intended to enhance the understanding and comparability of the Group's performance and that of its operating segments on an ongoing basis and is a measure that is disclosed by other listed Pan-Asian insurers, was positive during the Track Record Period. The following table presents our segmental adjusted operating profit before tax (non-IFRS measure) as reconciled with the net profit/(loss) from continuing operations for the relevant periods:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Segmental adjusted operating profit before tax (non-IFRS measure)	**47**	**125**	**205**	**88**	**117**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(18)	(24)	(29)	(7)	(10)
Adjusted operating profit before tax (non-IFRS measure)	**29**	**101**	**176**	**81**	**107**
Non-operating items, net of related changes in insurance and investment contract liabilities:					
Short-term fluctuations in investment return related to equities and property investments	40	(104)	503	126	(109)
Other non-operating investment return[(1)]	(55)	233	39	(25)	35
Finance costs related to borrowings and long-term payables[(2)]	(99)	(162)	(174)	(37)	(27)
Amortisation of value of business acquired	(31)	(82)	(100)	(33)	(16)
M&A, business set up and restructuring related costs	(100)	(151)	(104)	(15)	(19)
[**REDACTED**]-related costs including incentive costs	(2)	(40)	(73)	(10)	(12)
Other non-operating items[(3)]	(116)	22	59	3	(3)
Adjusted profit/(loss) before tax from continuing operations (non-IFRS measure)	**(334)**	**(183)**	**326**	**90**	**(44)**
Tax on adjusted operating profit before tax	(34)	(50)	(52)	(15)	(12)
Tax impact from non-operating items	54	(3)	(74)	(18)	(45)
Adjusted net profit/(loss) from continuing operations after tax (non-IFRS measure)	**(314)**	**(236)**	**200**	**57**	**(101)**
Net loss of the Company and Financing Entities[(4)]	(2)	(36)	–	–	–
Profit/(loss) from continuing operations after tax	**(316)**	**(272)**	**200**	**57**	**(101)**

Notes:

(1) Comprises realised gains/losses on the disposal of debt securities, loans and deposits and gains/losses on fair value movements of derivatives.

(2) See Note 6.3 to the Accountants' Report included in Appendix I for additional details on finance costs, including breakdown by purpose.

(3) Primarily consists of impact of the novation of the TMB distribution.

(4) Represents the results and certain balances resulted from the Reorganisation as described in Note 1.2.2 and Note 6.3 to the Accountants' Report included in Appendix I.

Operating cash flows during the Track Record Period

Our operating cash inflows primarily consist of cash premiums and fee income received for insurance products we issue, as well as proceeds from the sale of financial investments in the ordinary course of our insurance business. Our operating cash outflows primarily consist of cash payments of insurance claims, professional service fees, employee salaries and benefits and commissions, as well as cash outflows for the purchase of financial investments in the ordinary course of our insurance business.

During the Track Record Period, we recorded significant operating cash inflows (such as cash premiums and fee income) and used such inflows to, among other operating activities, make investments in a wide variety of financial instruments in the ordinary course of our insurance business. For a non-insurance company, the investment-related cash flows are typically recorded under cash flows from investing activities. However, for insurers such as the Group, investments are an integral part of business operations and therefore are included as operating cash flows.

We have been actively managing down excess liquidity through purchases of financial investments, which outweigh the cash premiums and fee income received for insurance products we issue. In 2021 in particular, we made a concerted effort to invest higher amounts of liquidity as a core part of our investment strategy to increase our operating profits. We expect that this trend in reducing liquidity by deploying cash in investments as an integral part of our insurance business will likely continue in 2022. Therefore, while our business generated positive cash inflows, the deployment of those cash inflows to make ordinary course financial investments resulted in net cash used in operating activities of US$32 million, US$2 million and US$868 million in our consolidated statement of cash flows for 2019, 2020 and 2021, respectively. We reported net cash provided by operating activities of US$146 million and US$384 million in the three months ended 31 March 2021 and 2022 respectively.

Given that we account for the purchase, maturities and sale of financial investments as operating activities rather than investing activities, we may continue to report net cash used in operating activities in our consolidated statement of cash flows for future periods as we continue to have net purchases of financial investments in the ordinary course of our insurance business to grow our business scale and presence.

Outlook for 2022 and beyond

In 2022 we do not expect a recurrence of the factors that resulted in the Group reporting a net profit in 2021. In particular, in 2022 we do not expect to record gains arising from the difference between actual and assumed long-term investment returns. As a result, we expect to return to a net loss position in 2022 and may record net losses in future periods as we continue to grow our business scale and presence and incur related costs. We recorded net loss of US$101 million in the three months ended 31 March 2022.

We will continue to focus on improving our financial and operating performance through new business growth to achieve scale, enhancing our protection mix and achieving VNB margin uplift through relevant propositions, as well as through effective monitoring of our expense overruns against our expense assumptions, which we set based on a long-term view of our expenditures and historical operating experience, including acquisition and maintenance activities by the reporting segments, and other product-related costs. As we continue to expand the size of our business operations and further invest in technology, we expect to continue to realise economies of scale and synergies from our businesses and benefit from enhanced operational efficiencies to eliminate our expense overruns over time. Furthermore, various material non-operating costs are expected to significantly decline over the next few years, including the following:

- implementation costs of IFRS 17, which are currently significant; however, IFRS 17 implementation will be substantially completed in 2022 and as a result we do not expect material costs to be incurred after 2022;
- we expect that integration costs will be largely eliminated by 2023 as we complete the integration of our acquired businesses;
- assuming successful completion of the [**REDACTED**] in 2022, [**REDACTED**] incentive payments will be largely principally incurred in 2022 through 2024 and will not recur in future periods; and
- we expect finance costs to reduce on account of a reduction in our debt levels through the actions we have already undertaken and as highlighted under "*Financial Information – Indebtedness*".

As a result of the above, we expect our revenue to gradually exceed our costs and expenses, ultimately leading us to generate net profit. For more details, see "*Financial Information – Liquidity and Capital Resources*".

Limitations of conventional IFRS financial data

Life insurance is a long-term business where upfront costs are high while revenues are booked over the life of the policy which implies that profits only come later in the cycle. This means that conventional IFRS financial data may not provide a complete or meaningful view of our underlying financial performance or prospects for potential investors. Further, the Asian life insurance industry is a high growth industry and, as such, additional metrics are reported to help provide operating and financial performance indicators to supplement IFRS earnings and thereby facilitate a better understanding of long-term profitability potential. Accordingly, in addition to the information contained in the consolidated financial statements, we have defined and presented in this document various key performance indicators that we rely upon to evaluate, and in our view provide an alternative measure with which to monitor, our economic, financial and operating performance, and which we use to monitor the underlying performance of the Group and its business and operations, identify trends in our business, and make strategic decisions, including setting key performance indicators for our executives and senior management, and being a basis of our compensation programme. These measures, which are not meant to be predictive of future results, are summarised in the table below and are discussed in further detail in "*Financial Information – Key Performance Indicators*". A key measure of operational performance is APE, which measures the volume of new policies issued, and is thereby an indicator of how much new business sales we were able to generate in any period. VNB is an actuarial performance measure which represents the value to shareholders arising from the new business issued during the relevant period, reflecting the present value of future net-of-tax profits less the corresponding cost of capital. We also believe that measures such as adjusted operating profit and EV operating profit are appropriate measures to evaluate an insurance business rather than traditional financial measures such as net profit and net operating cash flow. These are also industry standard measures that are widely used by Pan-Asian life insurers in their financial reporting, and are even more important to facilitate a better understanding of the longer term outlook for our Group given its short operating history. Note non-IFRS measures do not have standardised definitions. As a result, whilst the Group's peers rely on very similar non-IFRS measures, the non-IFRS measures are not identical as between the Group and its peers.

Business performance update for the six months ended 30 June 2022

Our APE increased by 2.8% on a CER basis (decreased by 2.5% on an AER basis) from the six months ended 30 June 2021 to the six months ended 30 June 2022. The increase was primarily driven by the strong growth in (i) Emerging Markets as we continued to execute on our recently formed distribution partnerships and COVID-19 restrictions were relaxed, and (ii) Japan as we pivot from COLI business towards individual protection products. This growth was partially offset by the decline in (i) Hong Kong (and Macau) due to tightened COVID-19 restrictions imposed during the six months ended 30 June 2022, and (ii) Thailand (and Cambodia) due to ongoing shift towards protection mix at SCB.

The following table presents the APE achieved by our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets market segments for the periods indicated:

	Six months ended 30 June		YoY Change	
	2021	**2022**	**CER**	**AER**
	(US$ millions, except for percentages)			
Hong Kong (and Macau)	252	188	(25.5)%	(25.5)%
Thailand (and Cambodia)	269	260	6.2%	(3.1)%
Japan	106	93	(1.2)%	(12.7)%
Emerging Markets	123	190	58.6%	54.4%
Group APE	**751**	**732**	**2.8%**	**(2.5)%**

Figures may not be additive due to rounding.

Our VNB increased by 24.6% on a CER basis (17.0% on an AER basis) from US$346 million in the six months ended 30 June 2021 to US$405 million in the six months ended 30 June 2022 due to following factors:

- Hong Kong: increase in margins as a result of favourable product mix shift, as well as our actions to reprice some of our key savings products;

- Thailand: increase in margins from a larger mix of higher margin products and in particular, from a newly launched protection product that was sold through SCB;

- Japan: growth of new business driven by higher margin individual medical and cancer products, as we shift away from lower margin COLI business; and

- Emerging Markets: growth of new business across all markets increase in sales as driven by our continuous execution on our recently formed distribution partnerships, and our continued focus on and shift towards protection products.

As a result of our focus on protection products, our protection ratio in terms of VNB is approximately 48% in the six months ended 30 June 2022. The following table presents the VNB achieved by our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets market segments for the periods indicated:

	Six months ended 30 June		YoY Change	
	2021	**2022**	**CER**	**AER**
	(US$ millions, except for percentages)			
Hong Kong (and Macau)	98	103	4.9%	4.9%
Thailand (and Cambodia)	125	144	26.0%	15.0%
Japan	69	72	19.6%	5.0%
Emerging Markets	54	86	63.7%	59.2%
Group VNB	**346**	**405**	**24.6%**	**17.0%**
Group VNB Margin	*46.1%*	*55.4%*	*N/A*	*N/A*

Key Performance Indicators

	For the year ended/ as of 31 December			For the three months ended/ As of 31 March					
	2019	2020	2021	2021	2022	2019-2021 CAGR	1Q21-1Q22 YoY	2019-2021 CAGR	1Q21-1Q22 YoY
	(US$ millions, except for percentages)					*(AER)*		*(CER)*	
Growth & Value Creation									
Annualised premium equivalent (APE)(1)	1,125	1,692	1,446	404	405	13.4%	0.3%	13.5%	5.5%
Value of new business (VNB)(2)	498	617	686	172	191	17.4%	11.0%	17.5%	17.5%
Underlying VNB(2)	316	358	446	N/A	N/A	18.8%	N/A	18.8%	N/A
Group embedded value (Group EV)(2)(3)	1,463	3,761	5,731	3,199	5,683	97.9%	77.6%	125.1%	97.4%
Embedded value equity (EV equity)(2)(3)	4,845	7,110	9,065	6,652	9,036	36.8%	35.8%	45.8%	44.8%
Profitability & Scale									
Total Weighted Premium Income (TWPI)(4)	4,655	6,546	6,851	2,002	1,922	21.3%	(3.9)%	21.6%	2.5%
Segmental adjusted operating profit before tax (non-IFRS measure)(4)	47	125	205	88	117	105.9%	33.1%	111.6%	45.0%
Adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure)(5)	(365)	(268)	188	93	(114)	N/A	N/A	N/A	N/A
EV operating profit(2)(6)	550	673	885	239	285	26.9%	19.5%	27.1%	27.1%
Capital									
Adjusted net underlying free surplus generation (Adjusted net UFSG)(7)	103	135	95	(6)	119	(3.9)%	N/A	(3.2)%	N/A
Ratios:									
VNB margin(2)(8)	44.2%	36.5%	47.4%	42.6%	47.1%	N/A	N/A	N/A	N/A
Expense ratio(9)	17.8%	14.7%	14.4%	12.0%	11.7%	N/A	N/A	N/A	N/A
Operating ROEV(10)	26.6%	25.8%	18.7%	30.4%	21.5%	N/A	N/A	N/A	N/A
Operating ROEV adjusted for **[REDACTED]**(10)(11)	N/A	N/A	[REDACTED]	N/A	[REDACTED]	N/A	N/A	N/A	N/A
Leverage ratio(12)	64.3%	49.2%	34.1%	N/A	32.4%	N/A	N/A	N/A	N/A

Except for TWPI, segmental adjusted operating profit before tax (non-IFRS measure), adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure) and expense ratio, all other numbers in the table above are unaudited.

Notes:

(1) Operational performance measure. See the Actuarial Consultant's Report set forth in Appendix III.

(2) Actuarial performance measures. See the Actuarial Consultant's Report set forth in Appendix III, except for Underlying VNB, which is a derived figure – see "*Financial Information – Discussion of Key Performance Indicators – Growth and Value Creation – VNB*" for more details.

(3) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

(4) Non-IFRS measures. Segmental adjusted operating profit before tax consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of the Company and the Financing Entities, assuming the Reorganisation was completed as of 1 January 2019 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) M&A, business set-up and restructuring-related costs, (vii) [**REDACTED**]-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group-wide Supervision, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance. See Notes 6.1, 6.2, 6.3 and 6.4 to the Accountants' Report included in Appendix I for more details.

(5) Non-IFRS measure. See *"Financial Information – Discussion of Key Performance Indicators – Profitability and Scale – Adjusted net profit/(loss) (non-IFRS measure)."*

(6) Presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes.

(7) Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. See the Actuarial Consultant's Report set forth in Appendix III for details on adjusted net UFSG.

(8) VNB margin is defined as VNB expressed as a percentage of APE for the relevant period.

(9) Expense ratio is defined as operating expenses expressed as a percentage of TWPI for the relevant period.

(10) Actuarial performance measure. Operating ROEV is defined as the ratio of EV operating profit to the average of opening and closing Group EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. See the Actuarial Consultant's Report set forth in Appendix III for details of EV operating profit and Group EV.

(11) As adjusted for [**REDACTED**] from the [**REDACTED**] (after deduction of the [**REDACTED**] fees and other estimated expenses related to the [**REDACTED**] paid or payable by the Company, excluding [**REDACTED**] of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to the consolidated income statement of the Group during the Track Record Period) of US$[**REDACTED**] million – US$[**REDACTED**] million (HK$[**REDACTED**] million - HK$[**REDACTED**] million), which impacts the Group EV by the same amount. Operating ROEV as adjusted for estimated [**REDACTED**] is the ratio of EV operating profit to the average of opening and closing EV with the [**REDACTED**] from the [**REDACTED**] added to closing EV. For the year ended 31 December 2021 and the three months ended 31 March 2022, operating ROEV as adjusted for estimated [**REDACTED**], in addition to [**REDACTED**] from the [**REDACTED**], also gives effect to the increase in equity due to the [**REDACTED**] Investments in January 2022. See "*History, Reorganisation and Corporate Structure* – [**REDACTED**] *Investments*" for details.

(12) Calculated as debt divided by the sum of debt and shareholders' allocated segment equity as at the end of the applicable period.

To give a more meaningful representation of the performance of our underlying new business, we also present Underlying APE. For the years ended 31 December 2019, 2020 and 2021, Underlying APE is the APE adjusted to exclude, as applicable, the impacts of (i) our acquisitions and associated partnerships – SCB and other distribution networks of SCB Life, FWD Takaful, PTBC and other distribution networks of PT Commonwealth Life, VCB and 29.9% stake in BRI Life, (ii) the discontinued TMB partnership in Thailand which ended on 31 December 2020, (iii) the discontinued employee benefits business in Singapore, (iv) COLI business in Japan which was impacted by taxation rule changes, and (v) the one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020. We do not report Underlying APE for the three months ended 31 March 2022 as we did not undertake any major acquisitions, major disposals or designate any business as newly discontinued.

Despite such strategic transactions or events taking place in a certain period, we have made adjustments consistently across the Track Record Period so as to enable a fair and consistent comparison across the relevant periods and to provide a more accurate picture of the Group's organic growth, excluding the impacts of additional acquisition and associated partnerships, discontinued businesses, disrupted businesses, one-off items and non-recurring events.

The following table presents our Underlying APE as reconciled with the APE for the relevant periods:

	Year ended 31 December					2019-21
	2019	2020	2021	2019-20 YoY	2020-21 YoY	CAGR
	(US$ millions, except for percentages)					
APE	**1,125**	**1,692**	**1,446**	**50.4%**	**(14.5)%**	**13.4%**
Less: Acquisitions/ Partnerships and Discontinued Businesses						
Thailand – SCB[(1)]	57	434	362	N/A	N/A	N/A
Thailand – TMB	139	86	–	N/A	N/A	N/A
Emerging Markets[(2)]	23	49	112	N/A	N/A	N/A
Less: Japan – COLI	176	149	80	N/A	N/A	N/A
Less: Japan – Retrocession Reinsurance	–	236	–	N/A	N/A	N/A
Underlying APE	**730**	**739**	**893**	**1.1%**	**20.9%**	**10.6%**

Notes:

(1) Business generated through SCB and other distribution networks of SCB Life.

(2) Business generated through (i) FWD Takaful, PTBC, other distribution networks of PT Commonwealth Life and VCB, and 29.9% stake in BRI Life and (ii) the discontinued employee benefits business in Singapore.

Similar to Underlying APE, we also present VNB on an underlying basis ("**Underlying VNB**") to provide a more meaningful representation of the growth of the value to shareholders arising from our underlying new business. For the years ended 31 December 2019, 2020 and 2021, Underlying VNB is the VNB subject to the same adjustments made for Underlying APE. We do not report Underlying VNB for the three months ended 31 March 2022 as we did not undertake any major acquisitions, major disposals or designate any business as newly discontinued.

Despite such strategic transactions or events taking place in a certain period, we have made adjustments consistently across the Track Record Period so as to enable a fair and consistent comparison across the relevant periods and to provide a more accurate picture of the Group's organic growth, excluding the impacts of additional acquisition and associated partnerships, discontinued businesses, disrupted businesses, one-off items and non-recurring events.

The following table presents our Underlying VNB as reconciled with the VNB for the relevant periods:

	Year ended 31 December					2019-21
	2019	2020	2021	2019-20 YoY	2020-21 YoY	CAGR
	(US$ millions, except for percentages)					
VNB	**498**	**617**	**686**	**24.0%**	**11.1%**	**17.4%**
Less: Acquisitions/						
Partnerships and Discontinued Businesses						
Thailand – SCB(1)	11	127	170	N/A	N/A	N/A
Thailand – TMB	34	20	–	N/A	N/A	N/A
Emerging Markets(2)	3	19	41	N/A	N/A	N/A
Less: Japan – COLI	134	38	29	N/A	N/A	N/A
Less: Japan – Retrocession Reinsurance	–	56	–	N/A	N/A	N/A
Underlying VNB	**316**	**358**	**446**	**13.5%**	**24.5%**	**18.8%(3)**
Underlying VNB margin	43.2%	48.5%	50.0%	N/A	N/A	N/A

Notes:

(1) Business generated through SCB and other distribution networks of SCB Life.

(2) Business generated through (i) FWD Takaful, PTBC, other distribution networks of PT Commonwealth Life and VCB, 29.9% stake in BRI Life, and (ii) the discontinued employee benefits business in Singapore.

(3) 2018-2021 CAGR of 25.0% on a CER basis (25.3% on an AER basis).

The GWS Framework

The Group has been subject to the HKIA's GWS framework since 14 May 2021, when FWD Management Holdings was determined to be our designated insurance holding company ("**DIHC**").

As a result of becoming subject to the GWS framework, the Group is subject to additional legal and regulatory requirements spanning a range of areas as detailed in the section headed "*Regulatory Overview and Taxation*", including:

(a) capital requirements (for example, minimum capital requirements and prescribed capital requirements for the supervised group);

(b) enterprise risk management (for example, the requirement to establish an enterprise risk management system for the supervised group);

(c) corporate governance (for example, the requirement to establish and implement a corporate governance framework for the supervised group); and

(d) public disclosure requirements (including public disclosures and private disclosures to the HKIA, for example, the requirement to disclose the specified financial statements and auditor's report on the DIHC's website).

Since designation of the DIHC and up to the Latest Practicable Date, the Group has, as requested by the HKIA, submitted on a timely basis the Group's business and capital management plans, capital adequacy supplementary information, Group Own Risk and Solvency Assessment, Material Group Outsourcing Register, Group Recovery Plan and Group Liquidity Risk Management Report and updates as to key issues considered by the board of directors of FL and FGL at board meetings. These submissions are made to fulfil the Group's compliance with the GWS framework.

The Group has agreed with the HKIA on a transitional arrangement for the implementation of certain GWS reporting requirements. The transitional arrangement specifies the content and timing of certain reports required to be submitted by the Group to the HKIA under the GWS framework. Unless otherwise agreed with the HKIA, the transitional arrangement expires on 31 December 2023. Other requirements of the GWS framework currently apply to the Group and the Group is in full compliance with those requirements. Please refer to the sections headed "*Regulatory Overview and Taxation*", "*Financial Information – Solvency and Capital*" and "*Financial Information – Group Capital Adequacy*" for further details.

The Group expects that the "supervised group" will, upon completion of the [**REDACTED**], comprise our Company, all entities consolidated in our Company's financial statements and BRI Life. The HKIA may, from time to time, specify other entities to be part of the supervised group as a result of such entities being closely linked by virtue of any financial, contractual or operational relationship.

Solvency and Capital Requirements

In Hong Kong, under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules ("**Group Capital Rules**"), as applied to us under transitional arrangements that have been agreed with the HKIA. We assess our capital adequacy with reference to the group capital adequacy requirements as well as LCSM. Our LCSM surplus is the difference between our group available capital and our group minimum capital requirement ("**GMCR**"), and our LCSM cover ratio is the ratio of our group available capital to our GMCR. In addition, the GMCR surplus, measured as the difference between our tier 1 capital and our GMCR, and the GMCR cover ratio, measured as the ratio of our tier 1 capital to our GMCR, are monitored as per the capital requirements under the GWS framework. We calculate these amounts as the sum of the available capital and the sum of the required capital, as applicable, of each entity within the Group as determined in accordance with local regulatory requirements, subject to any capital variation the HKIA considers necessary.

Under our transitional arrangement that has been agreed with the HKIA, we apply an amount equal to the [**REDACTED**] we received upon issuance of US$2,563 million (being the carrying value of financial instruments at 31 March 2022) of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC, toward meeting our group prescribed capital requirements.

In addition, our operating subsidiaries are subject to regulatory solvency and capital requirements in the jurisdictions in which they operate and are incorporated and/or domiciled. For details of such regulatory solvency and capital requirements, see Table 3.1 on pages III-13 and III-14 in "*Appendix III – Actuarial Consultant's Report*" of this document. Our Group has been in compliance with the applicable solvency, capital adequacy and liquidity requirements during the Track Record Period.

We estimate our capital adequacy as of 31 December 2021, 31 March 2022 and 30 June 2022 (applying the principles set forth below), assuming that all outstanding preference shares and convertible preference shares of FL and FGL had been exchanged for ordinary shares on that date, as follows:

- our LCSM cover ratio would be 592%, 577% and 593%, respectively, and the ratio of our tier 1 capital to our GMCR would be 315%, 325% and 302%, respectively, before giving effect to the [**REDACTED**] of the [**REDACTED**]; and

	As of 31 December 2021		As of 31 March 2022		As of 30 June 2022	
FWD Group	GMCR	LCSM	GMCR	LCSM	GMCR	LCSM
US$ millions, unless otherwise stated						
Eligible capital	3,203	6,007	3,301	5,856	2,668	5,236
Required capital	1,016	1,016	1,015	1,015	883	883
Free surplus	2,187	4,991	2,285	4,841	1,784	4,353
Cover ratio	315%	592%	325%	577%	302%	593%

The information above is illustrative only and our capital adequacy following the closing of the [**REDACTED**] is subject to adjustment based on the final [**REDACTED**] of the Shares and other terms of the [**REDACTED**] determined at pricing.

We review and monitor our capital adequacy and solvency positions at the Group and operating company levels. Our Asset and Liability Management Committee ("**ALMCO**") and the Risk Committee regularly review, and conduct sensitivity analyses of, a set of capital management metrics analysing scenarios that could cause changes in our group capital adequacy and solvency levels and the underlying causes of such changes. Regular committee meetings are held to monitor and discuss our group capital adequacy and solvency positions.

As part of our strategy to maintain our capital position within our risk appetite limits and for capital management purposes, we reinsure a portion of the risks that we assume under our insurance products to multiple international and local reinsurers. Doing so also enables us to manage our insurance risk and leverage the reinsurers' knowledge of our products while reducing our reinsurance concentration risk. We have established a reinsurance management framework that sets out the principles and requirements of our reinsurance management. We select our reinsurers based on their financial strength, services and terms of coverage, claims settlement efficiency and price. In addition to using external reinsurers, we have also established FWD Reinsurance, a Cayman-incorporated captive reinsurance company, for capital optimisation and margin enhancement. We also use Swiss Re, one of our shareholders, to reinsure certain products. We tailor our reinsurance strategy to our products and the geographical markets in which we operate. We determine our retention limit and participation ratio based on the insurance laws and regulations of the relevant geographical market, our solvency margin, the characteristics of our products as well as our business needs and strategies.

Please refer to the sections headed "*Regulatory Overview and Taxation", "Financial Information – Solvency and Capital" and "Financial Information – Group Capital Adequacy*" for further details of the GWS framework and the potential implications on the Group's future capital requirements.

[**REDACTED**]

[**REDACTED**] represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**]) and no exercise of the [**REDACTED**], we estimate that we have or will incur [**REDACTED**] of approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million, accounting for [**REDACTED**]% of our gross [**REDACTED**] from the [**REDACTED**]), of which approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is directly attributable to the [**REDACTED**] and is expected to be accounted for as a deduction from equity premium directly upon [**REDACTED**], and approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) has been or is expected to be expensed. The estimated [**REDACTED**] consists of (i) [**REDACTED**]-related expenses (including [**REDACTED**] fees and commissions) of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million), (ii) fees and expenses of legal advisers and accountants of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) and (iii) other fees and expenses of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million). As of 31 March 2022, we incurred US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) of expenses relating to the [**REDACTED**], of which US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) has been charged to the consolidated income statement of the Group and US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is expected to be accounted for as a deduction from equity premium directly upon [**REDACTED**].

[**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the stated range between HK$[**REDACTED**] and HK$[**REDACTED**] per Share), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**] (including [**REDACTED**] of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to the consolidated income statement of the Group during the Track Record Period), assuming the [**REDACTED**] is not exercised, or approximately HK$[**REDACTED**] million if the [**REDACTED**] is exercised.

In line with our strategies, we intend to use our net [**REDACTED**] from the [**REDACTED**] for the enhancement of our capital position under the GWS regime and for the provision of growth capital for our operating entities, including the following:

(a) approximately HK$[**REDACTED**] million (equivalent to approximately US$[**REDACTED**] million), for strengthening our share capital, enhancing our solvency position and central liquidity, as well as building a capital buffer in excess of applicable statutory requirements. Such amounts, which contribute to our capital adequacy ratios, also forms part of the regulatory capital base required to support growth and opportunities to further penetrate customer and channel reach across our operations, including the enhancement of our digital capabilities and strategy, which are in line with our business strategies as described in "*Business – Our Growth Strategies*"; and

(b) approximately HK$[**REDACTED**] million (equivalent to approximately US$[**REDACTED**] million), for our additional committed capital contributions to BRI Life over the next two years as described in "*Business – Our Operations in our Geographic Markets – Our Emerging Markets – Indonesia*".

To the extent that the [**REDACTED**] of the [**REDACTED**] are not fully deployed, or are not immediately required to be deployed towards our committed capital contributions to BRI Life as described in paragraph (b) above, we intend to apply such net [**REDACTED**] towards further enhancing our capital buffer in excess of applicable statutory requirements in line with paragraph (a) above. We will disclose by way of an announcement on the Stock Exchange in the case of any change after [**REDACTED**] to the [**REDACTED**] of the [**REDACTED**] as set out above. Please refer to *"Future Plans and* [**REDACTED**]*"* for details.

[REDACTED]

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"**Accountants' Report**"	the Accountants' Report on historical financial information for the financial years ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2022 set out in Appendix I
"**Actuarial Consultant's Report**"	the Actuarial Consultant's Report prepared by Milliman and set out in Appendix III setting out Milliman's review of our embedded value as at 31 December 2019, 2020, 2021 and the three months ended 31 March 2022

[**REDACTED**]

"**AMCM**"	the Monetary Authority of Macau, the primary regulator of the insurance industry in Macau
"**Apollo**"	Apollo Global Management, Inc.
"**Articles**" or "**Articles of Association**"	the articles of association of our Company (as amended from time to time), a summary of which is set out in "*Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law*"

[**REDACTED**]

"**Athene**"	Athene Life Re Ltd.
"**Bank BRI**"	PT Bank Rakyat Indonesia (Persero) Tbk, a publicly listed bank established and existing under the laws of Indonesia
"**Bermuda Insurance Act**"	the Insurance Act 1978 of Bermuda and related regulations, as amended, supplemented or otherwise modified from time to time
"**BMA**"	the Bermuda Monetary Authority
"**BNM**"	the Central Bank of Malaysia, Bank Negara Malaysia
"**Board**" or "**Board of Directors**"	the board of directors of our Company
"**bolttech Business Collaboration Agreement**"	the Business Collaboration Agreement dated 8 December 2020 entered into among FL, FGL and bolttech Holdings
"**Bolttech Digital Solutions**"	Bolttech Digital Solutions Capital Limited, a company incorporated under the laws of the Cayman Islands, part of the GI Disposal Group
"**bolttech Group**"	bolttech Holdings and its subsidiaries
"**bolttech Holdings**"	bolttech Holdings Limited, a company incorporated under the laws of the Cayman Islands
"**bolttech Spin-off**"	the disposal of the entire equity interest in FWD General Insurance, iFWD TW and Bolttech Digital Solutions to bolttech Holdings
"**BRI Life**"	PT Asuransi BRI Life, a company in which we own an equity interest of 35.1% as of the date of this document
"**business day**"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"**Business Units**"	our operations across Hong Kong (and Macau), Thailand (and Cambodia), Japan and the Emerging Markets

"**CAC**"	Cyberspace Administration of China
"**Cayman Companies Act**"	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"**CBA**"	Commonwealth Bank of Australia

[**REDACTED**]

DEFINITIONS AND GLOSSARY

"CEO"	chief executive officer
"China", **"mainland China"** or **"the PRC"**	the People's Republic of China, excluding, for the purpose of this [**REDACTED**] document only, Hong Kong, Macau and Taiwan, unless otherwise specified; the term "Chinese" has a correlative meaning
"CIMA"	the Cayman Islands Monetary Authority
"CK Assets"	CK Asset Holdings Limited
"CK Assets Group"	CK Assets and its subsidiaries
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	FWD Group Holdings Limited (富衛集團有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 18 March 2013
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Li, Mr. Li's Entities and the Fornax Entities
"CPP Investments"	Canada Pension Plan Investment Board
"CPS"	convertible preference shares
"Crimson White Investment"	Crimson White Investment Pte. Ltd.
"CSRC"	China Securities Regulatory Commission
"DGA Capital (Master) Fund"	DGA Capital (Master) Fund I LP
"Director(s)"	the director(s) of our Company
"DPA"	the Cayman Islands Data Protection Act (as amended)
"Eastwood Asset Holding"	Eastwood Asset Holding Ltd

[**REDACTED**]	Tier 1 and Tier 2 Agents
[**REDACTED**]	a full-time employee of our Company or any of its subsidiaries or branches as of [**REDACTED**] 2022, who remains as an employee as of the date of this document, whose primary place of work is in Hong Kong, who is not on probation and who is a Hong Kong resident, excluding the directors and chief executive of our Company and existing beneficial owners of Shares or their respective associates
"**Emerging Markets**"	refers to our operations in the Philippines, Indonesia, Singapore, Vietnam and Malaysia

[**REDACTED**]

"**Equity Incentive Plans**"	the [**REDACTED**] Incentive Plans and the [**REDACTED**] Incentive Plan
"**ES Act**"	the Cayman Islands International Tax Co-Operation (Economic Substance) Act (as amended)
"**Extreme Conditions**"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"**FGL**"	FWD Group Limited, an exempted company incorporated under the laws of the Cayman Islands and registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company

"**Final Round** [**REDACTED**] **Investment**"	the [**REDACTED**] Investment set out in "*History, Reorganisation and Corporate Structure* – [**REDACTED**] *Investments – Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund, PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited*"
"**FL**"	FWD Limited, an exempted company incorporated under the laws of the Cayman Islands and registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company
"**Fornax**"	Fornax Investment Global Company Limited
"**Fornax Entities**"	Fornax, Fornax Holding Company Limited, Falcon 2019 Co-Invest A, L.P. and Falcon 2019 Co-Invest GP, the general partner of Falcon 2019 Co-Invest A, L.P.
"**FRA**"	the Cayman Islands Financial Reporting Authority
"**FRC**"	the Financial Reporting Council
"**FRs**"	the HKIA, the SFC and the HKMA
"**Future Financial Investment**"	Future Financial Investment Company Ltd
"**FWD Assurance (Vietnam)**"	FWD Assurance VietNam Company Limited, a company incorporated under the laws of Vietnam
"**FWD Cambodia**"	FWD Life Insurance (Cambodia) Plc., a company incorporated under the laws of Cambodia and a subsidiary of our Company
"**FWD Financial Planning**"	FWD Financial Planning Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"**FWD Financial Services**"	FWD Financial Services Pte. Ltd., company incorporated under the laws of Singapore and a subsidiary of our Company

"FWD General Insurance"	FWD General Insurance Company Limited, a company incorporated under the laws of Hong Kong and part of the GI Disposal Group
"FWD Group Financial Services"	FWD Group Financial Services Pte. Ltd., a company incorporated under the laws of Singapore and a subsidiary of our Company
"FWD Group Management"	FWD Group Management Holdings Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"FWD Indonesia"	PT FWD Life Indonesia, a company incorporated under the laws of Indonesia, and a subsidiary of our Company, which was subsequently merged with PT FWD Insurance Indonesia (formerly known as PT Commonwealth Life), with the surviving entity being PT FWD Insurance Indonesia
"FWD Life Assurance (Hong Kong)"	FWD Life Assurance Company (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"FWD Life (Bermuda)"	FWD Life Insurance Company (Bermuda) Limited, a company incorporated under the laws of Bermuda and registered as non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company
"FWD Life (Hong Kong)"	FWD Life (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"FWD Life Japan"	FWD Life Insurance Company, Limited (formerly known as FWD Fuji Life Insurance Company, Limited), a company incorporated under the laws of Japan and a subsidiary of our Company
"FWD Life (Macau)"	FWD Life Insurance Company (Macau) Limited, a company incorporated under the laws of Macau and a subsidiary of our Company
"FWD Management Holdings"	FWD Management Holdings Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company

"**FWD Pension Trust**"	FWD Pension Trust Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"**FWD Philippines**"	FWD Life Insurance Corporation, a company incorporated under the laws of the Philippines and a subsidiary of our Company
"**FWD Reinsurance**"	FWD Reinsurance SPC, Ltd, an exempted company incorporated under the laws of the Cayman Islands and a subsidiary of our Company
"**FWD Singapore**"	FWD Singapore Pte. Ltd., a company incorporated under the laws of Singapore and a subsidiary of our Company
"**FWD Takaful**"	FWD Takaful Berhad, a company incorporated under the laws of Malaysia and a subsidiary of our Company
"**FWD Thailand**"	FWD Life Insurance Public Company Limited (บริษัท เอฟดับบลิวดี ประกันชีวิต จำกัด (มหาชน)), a company incorporated under the laws of Thailand and a subsidiary of our Company
"**FWD Vietnam**"	FWD Vietnam Life Insurance Company Limited, a company incorporated under the laws of Vietnam and a subsidiary of our Company
"**FY**" or "**financial year**"	financial year ended or ending 31 December
"**GI Disposal Group**"	certain former subsidiaries of our Company's general insurance business; please see Note 5.2 to the Accountants' Report
"**GIC Blue**"	GIC Blue Holdings Pte Ltd.

[**REDACTED**]

[**REDACTED**]	the [**REDACTED**] to be completed by the [**REDACTED**] designated by our Company
"**Group**", "**we**", "**our**" or "**us**"	our Company and its subsidiaries

"**Group Office**"	FWD Group Financial Services, FWD Group Management and Valdimir
"**GWS**" or "**Group-wide Supervision**"	the group-wide supervision framework introduced by the HKIA, which came into effect on 29 March 2021
"**HK$**", "**Hong Kong dollars**" or "**HKD**"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"**HK Telecom**"	Hong Kong Telecommunications (HKT) Limited
"**HKFI**"	the Hong Kong Federation of Insurers
"**HKIA**"	the Insurance Authority of Hong Kong, the primary regulator of the insurance industry in Hong Kong
"**HKMA**"	the Hong Kong Monetary Authority

[**REDACTED**]

"**HKT**"	HKT Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company in Hong Kong, and having its share stapled units jointly issued with the HKT Trust listed on the Main Board of the Stock Exchange (HKEX: 6823)
"**HKT Group**"	HKT and its direct and indirect subsidiaries
"**HKT Services**"	HKT Services Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of HKT and an indirect non-wholly owned subsidiary of PCCW
"**HKT Solutions Group**"	HKT Solutions Holdings Limited and its subsidiaries
"**HKT Trust**"	a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by HKT Management Limited (the trustee-manager of the HKT Trust), and having its share stapled units jointly issued with HKT listed on the Main Board of the Stock Exchange (HKEX: 6823)
"**HKTIA**"	HKT Financial Services (IA) Limited, which is an indirect wholly-owned subsidiary of HKT and an indirect non-wholly owned subsidiary of PCCW
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Hong Kong authorised insurers**"	FWD Life (Bermuda), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)

"[**REDACTED**]"	the [**REDACTED**] Shares initially being [**REDACTED**] by our Company pursuant to the [**REDACTED**] (subject to [**REDACTED**] as described in "*Structure of the* [**REDACTED**]")

[**REDACTED**]

"**HOPU**"	HOPU USD Master Fund III, L.P.
"**HP**"	Huatai-PineBridge Fund Management Co., Ltd.
"**HSBC Amanah Takaful**"	HSBC Amanah Takaful (Malaysia) Berhad, a company incorporated under the laws of Malaysia and is a subsidiary of our Company, now rebranded as FWD Takaful.
"**Huatai Financial**"	Huatai Financial Holdings (Hong Kong) Limited
"**Huatai Fund**"	Huatai Value Investment Fund L.P.
"**Huatai Securities**"	Huatai Securities Co., Ltd.
"**IAIS**"	the International Association of Insurance Supervisors, which is the global standard setter for the insurance industry
"**ICB**"	the Insurance Complaints Bureau in Hong Kong
"**IDR**"	Indonesian rupiah, the lawful currency of Indonesia

DEFINITIONS AND GLOSSARY

"IFRS"	International Financial Reporting Standards
"IFSA"	the Islamic Financial Services Act 2013 of Malaysia
"iFWD TW"	iFWD Insurance Broker Co., Ltd., a company incorporated under the laws of Taiwan, and part of the GI Disposal Group
"Implementation Agreement"	the amended and restated implementation agreement dated 22 December 2021 among our Company, PCGI Holdings, FL, FGL and the securityholders named therein
"independent third party"	any party who is not connected (within the meaning of the Hong Kong Listing Rules) with our Company, so far as the Directors are aware after having made reasonable enquiries
"Indonesia Insurance Law"	Law No. 40 of 2014 on Insurance Business of Indonesia
"ING"	ING Group N.V.
"Insurance Act"	the Insurance Act (as amended) of the Cayman Islands

[**REDACTED**]

[**REDACTED**]

"**IO**"	the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended or supplemented from time to time

[**REDACTED**]

"**JFSA**"	the Japan Financial Services Agency

[**REDACTED**]

[**REDACTED**]

"**Joint Sponsors**"	Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., CMB International Capital Limited and J.P. Morgan Securities (Far East) Limited
"**JPY**"	Japanese yen, the lawful currency of Japan
"**Latest Practicable Date**"	[5 September 2022], being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"**LIBOR**"	London Interbank Offered Rate

[**REDACTED**]

"**Listing Committee**"	the listing committee of the Stock Exchange

[**REDACTED**]

"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"**Macau**"	the Macau Special Administrative Region of the PRC

"**MAS**"	Monetary Authority of Singapore

[**REDACTED**]

"**Memorandum**" or "**Memorandum of Association**"	the memorandum of association of our Company, a summary of which is set out in "*Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law*"
"**Memorandum and Articles of Association**"	the memorandum and articles of association of our Company (as amended from time to time), conditionally adopted on [·] 2022 and which will become effective upon the [**REDACTED**], a summary of which is set out in "*Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law*"
"**Milliman**"	Milliman Limited, an independent actuarial consultant

[**REDACTED**]

"**MOP**"	Macanese pataca, the lawful currency of Macau
"**MPF**"	mandatory provident fund
"**MPFA**"	the Mandatory Provident Fund Schemes Authority
"**MPFSO**"	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)
"**MPIC**"	Metro Pacific Investments Corporation
"**Mr. Huynh**"	Mr. Huynh Thanh Phong
"**Mr. Li**"	Mr. Li Tzar Kai, Richard
"**Mr. Li's Entities**"	PCGI Holdings, Bliss Horizon Limited, Creative Knight Limited, Creative Mind Limited and Spring Achiever Limited
"**Mr. Wong**"	Mr. Wong Ka Kit

"**NMG**"	N.M.G. Financial Services Consulting Limited, an independent industry consultant
"**Nomination Committee**"	the nomination and corporate governance committee of the Board
"**OECD**"	the Organisation for Economic Co-operation and Development

[**REDACTED**]

"**OGS**"	One George Street LLP, a joint venture in which we hold a 50.0% interest
"**OIC**"	the Office of Insurance Commission of Thailand
"**option**"	a conditional right to subscribe for shares following vesting pursuant to and in accordance with the terms and conditions of the relevant Equity Incentive Plan and a letter of grant
"**ORIX**"	ORIX Corporation
"**ORIX Asia Capital**"	ORIX Asia Capital Limited
"**ORSO**"	the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong)

"**Otoritas Jasa Keuangan**" or "**OJK**"	the Indonesian Financial Services Authority

[**REDACTED**]

"**PCCW**"	PCCW Limited, a company incorporated under the laws of the Hong Kong whose shares are listed on the HKEX (HKEX: 0008)
"**PCCW Group**"	PCCW and its direct and indirect subsidiaries
"**PCCW Services**"	PCCW Services Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of PCCW
"**PCG**"	Pacific Century Group, an Asia-based private investment group ultimately wholly-owned by Mr. Li
"**PCGI**"	PCGI Limited
"**PCGI Holdings**"	PCGI Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by Mr. Li
"**PCGI Intermediate**"	PCGI Intermediate Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by PCGI Holdings and indirectly wholly-owned by Mr. Li

"**PCGI Intermediate II Holdings**"	PCGI Intermediate Holdings (II) Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by PCGI Holdings and indirectly wholly-owned by Mr. Li
"**Philippine Insurance Code**"	Presidential Decree No. 1460, as amended by Republic Act No. 10607 of the Philippines
"**PHP**"	Philippine peso, the lawful currency of the Philippines
"**PineBridge**"	PineBridge Investments Limited, an exempted company incorporated under the laws of the Cayman Islands and a member of PCG and which has been appointed by the Group to act as investment manager for the Group's credit fixed income portfolio
"**PineBridge Group**"	PineBridge and its subsidiaries
"[**REDACTED**] **Incentive Plan**"	the Employee Share Purchase Plan
"[**REDACTED**] **Awards**"	the share-based awards granted by the Group before the [**REDACTED**], including under the Share Option and RSU Plan [and the Share Award Plan]
"[**REDACTED**] **Incentive Plans**"	the Share Option and RSU Plan and the Share Award Plan
"[**REDACTED**] **Investment(s)**"	the [**REDACTED**] investment(s) in our Company undertaken by the [**REDACTED**] Investors, details of which are set out in "*History, Reorganisation and Corporate Structure*"
"[**REDACTED**] **Investor(s)**"	the investors in the [**REDACTED**] Investments
"**Previous Rounds** [**REDACTED**] **Investments**"	RRJ First [**REDACTED**] Investment, GIC Blue [**REDACTED**] Investment, HOPU [**REDACTED**] Investment, PCG First [**REDACTED**] Investment, Swiss Re First [**REDACTED**] Investment, RRJ Second [**REDACTED**] Investment, PCG Second [**REDACTED**] Investment, Mr Wong's [**REDACTED**] Investment, Swiss Re Second [**REDACTED**] Investment and PCG Third [**REDACTED**] Investment

[**REDACTED**]

"**Principal Subsidiaries**"	FL, FGL, FWD Life (Bermuda), FWD Reinsurance, FWD Life (Hong Kong), FWD Life Assurance (Hong Kong), FWD Life Japan, FWD Thailand, FWD Management Holdings, FWD Life (Macau), FWD Takaful, FWD Vietnam, FWD Assurance (Vietnam), FWD Philippines, FWD Singapore, PT FWD Asset Management, PT FWD Insurance Indonesia and Valdimir
"**PSU**"	a RSU which is subject to certain performance-based and other vesting conditions
"**PTBC**"	PT Bank Commonwealth, a company incorporated under the laws of Indonesia
"**PT Commonwealth Life**"	PT Commonwealth Life, a company incorporated under the laws of Indonesia (now known as PT FWD Insurance Indonesia)
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Queensway Asset Holding**"	Queensway Asset Holding Limited
"**Registrar of Companies**"	the Registrar of Companies in the Cayman Islands
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Relevant Persons**"	the Controlling Shareholders, the [**REDACTED**], the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], any of their or our Company's respective directors, officers or representatives or any other person involved in the [**REDACTED**]
"**Reorganisation**"	the restructuring steps undertaken by our Group as set out in the paragraph headed "*History, Reorganisation and Corporate Structure – Reorganisation*"
"**RK Consulting**"	RK Consulting K.K.
"**RM**"	Malaysian ringgit, the lawful currency of Malaysia
"**RRJ**"	RRJ Capital Master Fund III, L.P.
"**RSU**"	a restricted share unit, being a contingent right to receive shares under an Equity Incentive Plan subject to certain time-based and other vesting conditions

"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SCB**"	The Siam Commercial Bank Public Company Limited
"**SCB Life**"	SCB Life Assurance Public Company Limited, a company incorporated under the laws of Thailand, now amalgamated with FWD Thailand
"**Security Bank**"	Security Bank Corporation, a universal bank incorporated in the Philippines
"**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"**SGD**"	Singaporean dollars, the lawful currency of Singapore
"**Share Split**"	the share sub-division effected on 20 August 2021 whereby each of the then-authorised ordinary shares of our Company, par value US$1.00 each, was divided into 100 ordinary shares, par value US$0.01 each; following such share split, PCGI Holdings owned 2,162,950,800 ordinary shares in our Company and surrendered for no consideration 1,514,065,560 ordinary shares to our Company for cancellation, following which PCGI Holdings owned 648,885,240 ordinary shares in our Company (excluding any ordinary share in our Company allotted and issued to PCGI Holdings in the Final Round [**REDACTED**] Investment)
"**Shareholders**"	holders of Shares
"**Shares**"	ordinary shares of the share capital of our Company with a nominal value of US$0.01 each
"**Singapore Insurance Act**"	the Insurance Act 1966 of Singapore

[**REDACTED**]

"**Stock Exchange**" or "**HKEX**"	The Stock Exchange of Hong Kong Limited

"**Swiss Re**"	Swiss Reinsurance Company Ltd, an intermediate parent company of Swiss Re PICA
"**Swiss Re Group**"	Swiss Re Ltd and its subsidiaries
"**Swiss Re Investments**"	Swiss Re Investments Company Ltd
"**Swiss Re PICA**"	Swiss Re Principal Investments Company Asia Pte. Ltd.

[**REDACTED**]

"**Takeovers Code**"	the Hong Kong Code on Takeovers and Mergers
"**Tax Concessions Act**"	the Tax Concessions Act (as amended) of the Cayman Islands
"**THB**"	Thai baht, the lawful currency of Thailand
"**TIA Act**"	the Tax Information Authority Act (as amended) of the Cayman Islands
"**Tier 1 Agent**"	a contracted agent of our Company or any of its subsidiaries or branches as of [**REDACTED**], who remains as an agent as of the date of this document, whose primary place of work is in Hong Kong, who is a Hong Kong resident and who holds the position of Chief Regional Director, Regional Director, District Director, Agency Director, Qualifier of Million Dollar Round Table or FWD Elite Agent, excluding the directors and chief executive of our Company or any of its subsidiaries or branches and existing beneficial owners of Shares or of shares of any of the subsidiaries of our Company or their respective associates

"**Tier 2 Agent**"	a contracted agent of our Company or any of its subsidiaries or branches as of [**REDACTED**], who remains as an agent as of the date of this document, whose primary place of work is in Hong Kong, who is a Hong Kong resident, who is not a Tier 1 Agent and who holds the position of Agency Manager, Senior Branch Manager, Branch Manager, Unit Manager or Validated Agent, excluding the directors and chief executive of our Company or any of its subsidiaries or branches and existing beneficial owners of Shares or of shares of any of the subsidiaries of our Company or their respective associates
"**TMB**"	Thai Military Bank, or TMB Bank Public Company Limited (now amalgamated with Thanachart Bank Public Company Limited and known as TMB Thanachart Bank Public Company Limited)
"**Track Record Period**"	the three financial years ended 31 December 2021 and the three months ended 31 March 2022

[**REDACTED**]

"**US$**", "**US dollars**" or "**USD**"	US dollars, the lawful currency of the United States of America
"**U.S.**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**U.S. Securities Act**"	the United States Securities Act of 1933, as amended
"**Valdimir**"	Valdimir Pte. Ltd, a company incorporated under the laws of Singapore and a subsidiary of our Company
"**VCB**"	Joint Stock Commercial Bank for Foreign Trade of Vietnam
"**VCLI**"	Vietcombank-Cardif Life Insurance Limited Company, now rebranded as FWD Assurance (Vietnam)
"**VHIS**"	Voluntary Health Insurance Scheme of Hong Kong

"**VND**"	Vietnamese dong, the lawful currency of Vietnam
"**white space**"	the segment of the Asian life insurance market representing emerging affluent consumers who intend to purchase insurance products but suffer from low penetration of insurance services due to purchase barriers

In this document, unless the context otherwise requires, the terms "**associate**", "**connected person**", "**connected transaction**", "**controlling shareholder**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, certain amounts denominated in US$ have been translated into Hong Kong dollars at exchange rates of US$1.00 = HK$[7.80], respectively, in each case for illustrative purposes only and such conversions shall not be construed as representations that amounts in US dollars were or could have been or could be converted into Hong Kong dollars and/or that amounts in Hong Kong dollars were or could have been or could be converted into US dollars at such rate or any other exchange rates.

Unless otherwise specified, all references to the completion of the [**REDACTED**] (and any shareholdings in our Company thereafter) assume that (a) Phase 2 of the Reorganisation, the [**REDACTED**] and the [**REDACTED**] have become unconditional and completed; (b) in accordance with Phase 2 of the Reorganisation, the CPS of FL and FGL are converted to Shares based on the [**REDACTED**] and the expected [**REDACTED**] of [**REDACTED**]; and (c) the [**REDACTED**] is not exercised; and do not take into account any Shares which may be issued between the Latest Practicable Date and the [**REDACTED**] to satisfy any exercise of any option granted or to be granted under the [**REDACTED**] Awards, or issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase shares. For further details in respect of calculations of the number of Shares converted from the ordinary shares, preference shares and CPS of FL and FGL as a result of Phase 2 of the Reorganisation, please refer to the section headed "*History, Reorganisation and Corporate Structure – Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*".

DEFINITIONS AND GLOSSARY

This glossary contains explanations of certain terms used in this document in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"**Actual Exchange Rate**" or "**AER**"	actual exchange rates for the relevant periods used for the purpose of calculation of growth
"**Adjusted Net Worth**" or "**ANW**"	the statutory net asset value, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis plus/minus mark-to-market adjustments for assets that have not been held on a market value basis minus the value of intangible assets
"**Adjusted net UFSG**"	Net UFSG excluding one-off opening adjustments (including non-economic assumption change) and expense variance
"**AI**"	artificial intelligence
"**ALMCO**"	the Group's Asset and Liability Management Committee
"**Annualised Premium Equivalent**" or "**APE**"	the sum of 10% of single premiums and 100% of annualised first year premiums for all new policies, before reinsurance ceded. Consistent with customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. APE provides an indicative volume measure of new policies issued in the relevant period. For takaful business, APE refers to annualised contribution equivalent
"**API**"	application programming interface
"**bancassurance**"	the distribution of insurance products through banks or other financial institutions
"**CAGR**"	compound annual growth rate
"**cede**"	the transfer of all or part of a risk written by an insurer to a reinsurer

"**claim**"	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
"**COLI**"	Corporate Owned Life Insurance
"**commission**"	a fee paid to a distribution partner by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
"**Constant Exchange Rate**" or "**CER**"	constant exchange rate used for the calculation of growth and is based on average exchange rates of relevant periods, other than for balance sheet items where growth as at the end of the current year over the end of the prior year is based on end of period exchange rates
"**conversion rate**"	the percentage of quoted leads that convert into successful sales
"**customer**"	anyone who owns or receives value from insurance products and services. Customers are categorised as either individual customers or group scheme customers. Individual customers include policyholders (who are paying policy owners), the insured under life insurance policies, beneficiaries of the policies and active FWD MAX members, while group scheme customers include corporate policyholders (who are paying policy owners) and participating members
"**D2C**"	direct-to-customer
"**DIHC**"	designated holding company of an insurance group
"**Embedded Value**" or "**EV**"	an actuarial method of measuring the consolidated value of shareholders' interests in the existing business of an insurance company. Represents an estimate of the economic value of its life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business

"**Embedded value equity**" or "**EV equity**"	the equity attributable to shareholders on an actuarial basis, reflecting the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. It is presented on a net-of-financing basis. Financing for this purpose includes debt held by us and comprises borrowings and perpetual securities
"**Embedded value operating profit**" or "**EV operating profit**"	the change in EV over the relevant period, adjusted for movements relating to acquisitions, partnerships and discontinued businesses, economic variance, economic assumption charge, non-operating variance, capital movements, corporate adjustments, financing and foreign exchange movement. It comprises expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before allowing for operating variances other than claims/persistency/expense and operating assumption changes
"**exclusive bancassurance partnerships**" or "**exclusive bancassurance arrangements**"	our exclusive bancassurance partnerships in-market generally require bancassurance partners to distribute our products on either an exclusive or preferred basis to their customers across networks and jurisdictions specified under their contracts and subject to applicable laws and regulations. Exclusive bancassurance arrangements commonly include termination rights which may be triggered if specific, pre-defined conditions are met, for example upon material breaches by either party, in the event a party becomes a competitor, upon a change of control or in the event of force majeure; in addition, in limited cases exclusivity also applies to us over the partnership term
"**expense ratio**"	operating expenses expressed as a percentage of TWPI for the relevant period
"**financial investments**"	equity and fixed income securities plus receivables and derivative financial instruments classified as assets, excluding cash and cash equivalents
"**first year premiums**"	premiums received in the first year of a recurring premium policy. As such they provide an indication of the volume of new policies sold

"**Free Surplus**"	excess of adjusted net worth, i.e. adjusted statutory net asset value attributable to shareholders, over the required capital
"**FWD markets**"	Hong Kong (and Macau), Thailand (and Cambodia), Japan, Philippines, Indonesia, Singapore, Vietnam and Malaysia
"**GMCR**"	group minimum capital requirement
"**GPCR**"	group prescribed capital requirement
"**Group embedded value**" or "**Group EV**"	the consolidated EV of our Group and is presented on a net-of-financing basis; financing for this purpose includes debt held and comprises borrowings and perpetual securities
"**GWP**"	gross written premiums calculated based on applicable guidelines promulgated by the relevant insurance authorities
"**high net worth**" or "**HNW**"	individuals who have investable assets of US$1 million or more
"**ICS**"	Insurance Capital Standard
"**IFA**"	independent financial advisor
"**IFRS**"	International Financial Reporting Standards
"**in-force customers**", "**in-force products**" or "**in-force policies**"	Customers or products with respect to an insurance policy or contract reflected on records, at a certain time, that has not expired, matured or otherwise been surrendered or terminated, or such policies or contracts themselves
"**investment experience**"	realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss
"**LCSM**"	local capital summation method

"**lifetime value**"	policyholder lifetime value is calculated by discounting the aggregate VNB of all life insurance purchases by a policyholder over his or her life to today's value
"**MCV**"	mainland Chinese visitors
"**MDRT**"	Million Dollar Round Table, a global professional trade association that recognises significant sales achievements while working to develop professional and ethical sales practices
"**morbidity**" or "**morbidity rate**"	incidence rates and period of disability, varying by such parameters as age, gender and period since disability, used in pricing and computing liabilities for accident and health insurance
"**mortality**" or "**mortality rate**"	rate of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for life and annuity products, which contain mortality risks
"**net premiums**"	life insurance premiums net of reinsurance premiums ceded to third-party reinsurers
"**net underlying free surplus generation**" or "**net UFSG**"	underlying free surplus generation, allowing for the free surplus used to fund new business; it excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued businesses, capital movements and impact of financing
"**NPV**"	no par value
"**O2O**"	collectively, online-to-online, online-to-offline and offline-to-online
"**offshore**"	(i) with respect to our Hong Kong business, an offshore policy is any policy where the policyholder does not have or disclose a Hong Kong identity card number and an offshore customer is any customer who does not have or disclose a Hong Kong identity card; and (ii) with respect to our Macau business, an offshore policy is any policy where the policyholder is not a resident of Macau and an offshore customer is any customer who is not a resident of Macau

"**onshore**"	(i) with respect to our Hong Kong business, an onshore policy is any policy where the policyholder has a Hong Kong identity card and an onshore customer is any customer who has a Hong Kong identity card, and (ii) with respect to our Macau business, any policy where the policyholder is a resident of Macau and an onshore customer is any customer who is a resident of Macau
"**Operating embedded value**" or "**Operating EV**"	consolidated EV of operating entities
"**Operating ROEV**"	the ratio of EV operating profit to the average of opening and closing Group EV (net of financing basis) for the relevant period
"**Pan-Asian insurer**" or "**Pan-Asian life insurer**"	a life insurer competing in three or more of FWD markets
"**participating funds**"	distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of the pool of assets held within the fund, as a supplement to any guaranteed benefits. The insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or as to the timing and the amount of the additional benefits
"**participating products**" or **"participating business"**	contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits
"**persistency**"	the proportion of insurance policies remaining in force from month to month, as measured by the number of policies
"**protection ratio**"	the protection ratio of each product is calculated by dividing the present value of mortality and morbidity benefits expected to be paid on account of the product by the present value of all customer benefits expected to be paid on account of the product

"**Protection VNB**"	the aggregated protection VNB at product level, which is determined by protection ratio multiplied by VNB
"**RBC**" or "**Risk-based capital**"	a method of measuring the amount of capital appropriate for an insurance entity to support its overall business operations in consideration of its size and risk profile
"**reinsurance**"	the practice whereby a reinsurer, in consideration of a premium paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
"**renewal premiums**"	premiums receivable in subsequent years of a multi-year insurance policy
"**reserves**"	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurers
"**retrocession**"	the reinsuring of reinsurance
"**riders**"	a supplemental plan that can be attached to a base insurance policy, typically with payment of additional premium; unless otherwise stated, riders include unit-deducting riders for which no premiums are received. The insurance coverage of unit-deducting riders is funded by deduction of units from account balances of underlying unit-linked and universal life contracts
"**sales conversion rate**"	the percentage of quoted leads that convert into successful sales
"**single premiums**"	single premium policies of insurance are those that require only a single lump sum payment from the policyholder
"**SME**"	small and medium enterprise
"**solvency**"	the ability of an insurance company to satisfy its policyholder benefits and claims obligations

"**Southeast Asia**"	for purposes of market rankings included in this document, Thailand, Cambodia, Philippines, Indonesia, Singapore, Vietnam and Malaysia
"**STP**"	straight-through-processing
"**surrender**"	the termination of a life insurance policy or annuity contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract
"**Takaful**"	insurance that is compliant with Islamic principles
"**tied agent**"	a sales representative who sells the products of one company exclusively
"**TWPI**" or "**Total Weighted Premium Income**"	total weighted premium income consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums; it provides an indication of total premiums and just the new business premiums that we have generated in the reporting period and that have the potential to generate profits for the Shareholders
"**Underlying APE**"	the APE for the relevant periods excluding, as applicable, the impact of (i) our acquisition of SCB Life in Thailand, PT Commonwealth Life in Indonesia, VCLI in Vietnam, HSBC Amanah Takaful in Malaysia, 29.9% stake in BRI Life in Indonesia, and the associated bancassurance partnerships with SCB, PTBC, VCB and HSBC Amanah Malaysia Berhad, (ii) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, (iii) the employee benefits business in Singapore, which we discontinued in 2019, (iv) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020 and (v) our partnership with TMB, which ended on 31 December 2020

"**Underlying VNB**"	the VNB for the relevant periods excluding, as applicable, the effects of (i) our acquisition of SCB Life in Thailand, PT Commonwealth Life in Indonesia, VCLI in Vietnam, HSBC Amanah Takaful in Malaysia, 29.9% stake in BRI Life in Indonesia, and the associated bancassurance partnerships with SCB, PTBC, VCB and HSBC Amanah Malaysia Berhad, (ii) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, (iii) the employee benefits business in Singapore, which we discontinued in 2019, (iv) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020 and (v) our partnership with TMB, which ended on 31 December 2020
"**Underlying VNB margin**"	Underlying VNB expressed as a percentage of Underlying APE for the relevant period
"**underwriting**"	the process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk
"**Value of business acquired**" or "**VOBA**"	VOBA in respect of a portfolio of long-term insurance and investment contracts acquired is recognised as an asset, calculated by discounting all future cash flows expected to be realised from the portfolio. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The carrying value of VOBA is reviewed at least annually for impairment and any impairment is charged to the consolidated income statement
"**Value of new business**" or "**VNB**"	present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. VNB is calculated quarterly, based on assumptions applicable at the start of each quarter
"**VNB margin**"	VNB expressed as a percentage of APE for the relevant period

[REDACTED]

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

INFORMATION AND REPRESENTATION

Our Company has issued this document solely in connection with the [**REDACTED**] and the [**REDACTED**]. This document does not constitute an [**REDACTED**] to sell or a solicitation of an [**REDACTED**] to buy any securities other than the [**REDACTED**] offered by this document pursuant to the [**REDACTED**].

This document may not be used for the purpose of, and does not constitute, an [**REDACTED**] or invitation in any other jurisdiction or in any other circumstances.

No action has been taken to permit a [**REDACTED**] of the [**REDACTED**] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [**REDACTED**] and [**REDACTED**] of the [**REDACTED**] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this document to make your [**REDACTED**] decision.

Neither our Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this document.

No representation is made that there has been no change or development reasonably likely to involve a change in the Group's affairs since the date of this document or that the information contained in this document is correct as at any date subsequent to its date. In addition, no representation is made in relation to any local accounts published by the Group in the jurisdictions in which the Group operates, and these should not be relied upon by prospective investors, and may be inconsistent with the information contained within this document.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of [**REDACTED**], the Shares or exercising any rights attaching to the Shares. Neither our Company nor any of the Relevant Persons accepts responsibility for any tax effects or liabilities resulting from your [**REDACTED**], the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF SHAREHOLDERS AND STAMP DUTY

Our principal register of members will be maintained by our principal [**REDACTED**], [**REDACTED**], in the Cayman Islands and our Hong Kong register of members will be maintained by our [**REDACTED**], [**REDACTED**], in Hong Kong.

All [**REDACTED**] issued pursuant to [**REDACTED**] made in the [**REDACTED**] and the [**REDACTED**] will be registered on our Hong Kong register of members. [**REDACTED**] in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. All statements other than statements of historical fact contained in this document, including, without limitation:

(a) the discussions of our business strategies, objectives and expectations regarding our future operations, margins, profitability, liquidity and capital resources;

(b) the future development of, and trends and conditions in, the insurance industry and the general economy of the countries in which we operate or plan to operate;

(c) our ability to control costs;

(d) the nature of, and potential for, the future development of our business; and

(e) any statements preceded by, followed by or that include words and expressions such as "expect", "believe", "plan", "intend", "estimate", "forecast", "project", "anticipate", "seek", "may", "will", "ought to", "would", "should" and "could" or similar words or statements,

as they relate to the Group or our management, are intended to identify forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in "*Risk Factors*", which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These forward-looking statements include statements regarding, among other things, the following:

- changes in the laws, rules and regulations relating to our business operations;
- technological changes in the future;
- prevailing economic and market conditions in the markets in which we operate or plan to operate;
- changes or volatility in interest rates, foreign exchange rates or other rates or prices that may affect our operations and financial results;
- changes in population growth and other demographic trends, including mortality, morbidity and longevity rates;
- developments of our competitors and other competitive pressures within the insurance industry in which we operate;
- changes in consumer demand and preferences for the products and services we offer;
- our ability to maintain and expand our customer base efficiently;
- effectiveness of our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices;
- our ability to properly price our products and services and establish reserves for future policy benefits and claims;
- developments in our business strategies and business plans;
- our ability to successfully implement our strategy, growth and expansion; and
- our expectation regarding the use of the [**REDACTED**] from the [**REDACTED**].

Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "*Risk Factors*" and elsewhere in this document.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or developments or otherwise.

As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

In this document, statements of or references to our intentions or that of any of the Directors are made as at the date of this document. Any of these intentions may change in light of future developments.

An [**REDACTED**] *in the Shares involves a high degree of risk. Prospective* [**REDACTED**] *should carefully consider the following risk factors, together with all the other information contained in this document, before deciding whether to* [**REDACTED**] *in the Shares. If any of the following events occurs or if these risks or any additional risks not currently known to us or which we now deem immaterial materialise, our business, financial condition, results of operations and/or our ability to meet our financial obligations could be materially and adversely affected. The* [**REDACTED**] *of the Shares could fall significantly due to any of these events or risks (or such additional risks) and you may lose your* [**REDACTED**]. *The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations and prospects.*

These factors contain possibilities that may or may not occur, and we are not in a position to express a view on the likelihood of any such possibility occurring. The information given is as at the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Responsibility Statement and Forward-Looking Statements".

RISKS RELATING TO OUR BUSINESS

Our international operations subject us to additional risks which could have an adverse effect on our business, financial condition, and results of operations.

We operate across different geographic markets and political systems, and are required to comply with a wide variety of tax regimes, laws and regulatory requirements. In connection with our growth plans, we may also expand our geographic footprint and enter into new markets, through organic growth or acquisitions. We need to manage our extensive and growing operations in the markets and regions in which we operate across Asia, which exposes us to complexities in staffing and personnel management, currency exchange movements and controls, and the burden of complying with a wide variety of tax regimes, legal systems and regulatory requirements, which may be in conflict with each other. We may face, and have to manage, risks in relation to volatile macroeconomic trends, inflationary pressures, capital controls and other restrictions on the movement of currency into and out of countries and markets, and therefore between different Business Units.

For example, we continue to explore expansion opportunities into mainland China, including into the Greater Bay Area, which may subject us to additional risks relating to different legal, political, social and regulatory requirements and economic conditions in mainland China. If we expand our operations into mainland China, our exposure to these risks would increase. Also see "*– While we currently have immaterial operations in mainland China, in the event these operations grow we would be subject to a greater extent than we currently are to uncertainties with respect to the laws and regulations of the PRC.*"

Furthermore, certain markets in which we operate, including some of our Emerging Markets, are rapidly developing economies and differ from the economies of most developed countries in material respects, including the macroeconomic challenges they face, the rapidly evolving nature of their financial and legal systems and the extent of government involvement. Operating in these markets presents certain risks, including political and economic instability, the inability to protect contractual or legal rights, market volatility and liquidity, high inflation, rapid demographic and market changes, evolving laws and regulations in respect of insurance, potential expropriation or nationalisation of property or assets, and comparatively underdeveloped legal, financial and enforcement systems. In some of our markets, there is also more limited reliable statistical data on which to base pricing or underwriting decisions for certain insurance products. These risks may increase our costs of doing business in these markets.

We cannot assure you that we will be able to execute our growth strategy successfully and manage all of the risks associated with operating and scaling up an extensive multi-country business with operations in many developing and rapidly growing countries and markets, and any failure to do so may affect our ability to obtain dividends from our Business Units which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks associated with multi-jurisdictional operations also include those arising from geopolitical uncertainties. For example, the United States has imposed sanctions on certain Chinese and Hong Kong individuals and companies, including prohibitions on investment by US persons in such companies. Further sanctions or other actions may be imposed or taken, and we cannot assure you that our customers, distributors, or partners will not be specifically impacted by such sanctions or actions. As of the date of this document, we are unable to predict the impact of these events on our business.

Intense competition in the segments of the insurance industry in which we operate in each of our markets could negatively affect our ability to attain or increase profitability.

Our competitors include established regional players, domestic insurance companies and local operating entities of large insurance groups as well as new entrants, such as digital insurers. The large insurance groups may have greater financial and other resources than we do, in addition to their large market shares and economies of scale. We also face competition from large domestic financial service providers in some of our markets that either have their own insurance subsidiaries or enter into co-operative arrangements with major insurance companies.

In addition, Southeast Asian life insurance markets are dominated by a relatively small number of large insurers. According to NMG, pan-Asian insurers typically account for approximately 70% of total individual new business premiums across our markets in Southeast Asia. Further concentration of the markets in which we operate may adversely affect our business, financial condition and results of operations.

In the future, we may face competition from technology companies in the markets in which we operate. There are various technology companies that have recently started operating in adjacent insurance categories that offer life and health insurance products. Technology companies may in the future begin operating and offering products that are better or more competitively priced than ours, which could cause us to lose market share and have a material adverse effect on our results of operations and financial condition. In addition, traditional insurance companies may seek to adapt their businesses to sell insurance and process claims using technology similar to ours. Given their size, resources, and other competitive advantages, they may be able to erode any market advantage we may currently have over them.

We also face competition from banks and other financial institutions that directly own insurance companies, and from smaller insurance companies that may develop strong positions in various market segments in which we operate. Our ability to compete is driven by a number of factors, including premiums charged and other terms and conditions of coverage, product features, investment performance, services provided, distribution capabilities, scale, experience, commission structure, brand strength and name recognition, information technology and actual or perceived financial strength. Such competition could have a material adverse effect on our business, financial condition and results of operations.

We and our Business Units are subject to extensive regulation as insurance companies, including monitoring and inspection of our financial soundness, which may restrict our business activities and investments and increase our cost of complying with such regulations.

We are subject to laws, rules and regulations across all aspects of our business. The primary purpose of insurance laws and related regulations is to protect policyholders, not debt holders, shareholders or insurers. Insurance laws and regulations place restrictions on the types of businesses that we and our Business Units may engage in, impose limits on the types of investments that we may make and require us to maintain specified reserves and minimum solvency margin ratios. Furthermore, we and our Business Units are subject to extensive oversight and comprehensive regulation by the relevant regulators in each market where we operate. Collectively, these regulators oversee our relevant operations in each of the insurance markets in which we operate and, as a result of such broad oversight, we are occasionally subject to overlapping, conflicting or expanding regulation across jurisdictions.

For instance, each country's insurance laws and regulations typically give the relevant regulator broad regulatory powers over us and our Business Units' business, including the authority to investigate regulatory breaches, reprimand regulated entities publicly for compliance failures, impose fines, revoke operating licenses, suspend operations, request information and conduct rigorous on-site inspections of books and records. In addition, we and our Business Units need to receive prior authorisation from our respective regulators for the sale of new insurance products or key changes in the terms of our products. Reorganisation of our corporate structure or a change in control is also subject to regulatory approvals.

We and the businesses we have acquired or may acquire from time to time, are also subject to a wide range of anti-bribery, anti-money laundering and sanctions laws and regulations as well as business conduct rules, in each of the jurisdictions in which we or such other businesses operate. Such laws and regulations may vary significantly from jurisdiction to jurisdiction, and may either impose obligations on our Group to act in a certain manner or restrict the way that we can act in respect of specified individuals, organisations, businesses and/or governments. Our geographical diversification, including in some emerging markets, development of joint venture and partnering relationships and our employment of local agents in the markets in which we operate may increase our exposure to the risk of violations of anti-corruption laws or similar laws. We operate in some markets where, for example, large-scale agency networks may be in operation where sales are incentivised by commission and fees, where there is a higher concentration of exposure to politically-exposed persons, or which otherwise have higher geopolitical risk exposure. While we seek to apply a culture of compliance and control, our policies and procedures may not be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners across our operations in multiple jurisdictions. Similarly, with respect to the businesses we have acquired or may acquire from time to time, we may be exposed to the adverse consequences of instances of non-compliance that occurred prior to our acquisition of such businesses. We may incur additional costs to remediate or address predecessor liabilities in other situations and may be adversely affected by non-compliance incidents of our acquired businesses in the future. In the case of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited (the predecessors of FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)), these companies were reprimanded by the HKIA in January 2021 and were each subject to a penalty of HK$3.5 million for certain non-compliances that occurred, and were remediated, prior to our acquisition of these companies in 2020. We were indemnified on the penalty and associated costs.

In addition, some of the laws, rules and regulations are subject to changes. For example, in Vietnam, the new insurance law was passed on 16 June 2022 and will take effect on 1 January 2023. Please refer to the section headed "*Regulatory Overview and Taxation – Laws and Regulations relating to the Group's Business and Operations in Vietnam*" for further details of the material changes under the new Vietnam insurance law. Detailed guidance on the scope of applying the new insurance law, especially the application of transitional provisions, is expected to be issued by the end of 2022. As a result, from 2023, the implementation of the new Vietnam insurance law may have an impact on our business, financial condition and operations. Furthermore, some of the laws, rules and regulations to which we are subject are relatively new (including laws and regulations relating to data privacy), and their interpretation and application remain uncertain. For example, on 14 March 2022, OJK in Indonesia issued Circular 5/2022 on investment-linked (including unit-linked) insurance products. Circular 5/2022 seeks to consolidate various provisions governing the offering, marketing, management of assets and other operational matters in relation to investment-linked insurance products under various regulations issued by OJK. Given the recent enactment of Circular 5/2022, the insurance industry is in ongoing discussions with OJK on the circular's interpretation and the application of transitional provisions. As a result, the impact of Circular 5/2022 on our Group may continue to evolve. The Group manages these regulatory changes as part of its ordinary course of business, which may involve costs associated with amending product terms and conditions and/or business processes. See "*Regulatory Overview and Taxation*."

Changes to existing regulations, their interpretation or implementation, or new regulations may also impede or otherwise impact our use or development of AI technologies, which could impair our competitive position and result in a material adverse effect on our business, results of operations, and financial condition. Failure to comply with any applicable laws, rules and regulations and international prudential frameworks, including as a result of changes to rules and regulations or the changing interpretation thereof by relevant regulators, could result in fines, suspension of our business licenses or, in extreme cases, business license revocation, each of which could have a material adverse effect on our business, financial condition and results of operations.

Our business has evolved through a number of strategic transactions and the information presented in our financial statements may not be indicative of our future performance and prospects.

During the Track Record Period, we made several strategic acquisitions that have contributed significantly to our business growth and our geographic expansion. See "*Financial Information – Factors Affecting Comparability – Acquisitions, Investments and Discontinued Businesses*" and "*History, Reorganisation and Corporate Structure – Business Milestones*" in this document for further details. Additionally, in advance of the [**REDACTED**] and the [**REDACTED**], we have undertaken the Reorganisation. To enable prospective investors to evaluate our results and performance as a combined group, we have prepared and presented in this document consolidated financial statements as of and for the years ended 31 December 2019, 2020 and 2021, and for the three months ended 31 March 2021 and 2022. Our consolidated financial statements for the years ended 31 December 2019, 2020 and 2021, and for the three months ended 31 March 2021 and 2022 have been prepared on the basis that, during this period, our Group was under the common control of Mr. Li, one of our Controlling Shareholders.

Our financial statements do not necessarily reflect what our financial condition, results of operations and cash flows would have been had we been operated as a consolidated group during the periods presented. Actual costs that may have been incurred if we had been a consolidated group would depend on a number of factors, including the chosen organisational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

In addition, our financial statements may not be indicative of what our results of operations, financial condition and cash flows will be in the future. For example, following finalisation of the Reorganisation and completion of the [**REDACTED**], changes will occur in our cost structure, financial liabilities and interest expense, funding and operations, including changes in our tax structure, increased costs and enhanced regulatory standards associated with operating as a public company. These changes may be material, further reducing the meaningfulness of our historical consolidated financial statements in evaluating our future financial condition and results of operations. Please also see "*Financial Information – Basis of Presentation*" and "*– Factors Affecting Comparability*."

The COVID-19 pandemic has caused and may continue to cause disruption to our operations and negatively affect our business, financial condition, and results of operations.

Our business has been and continues to be affected by the COVID-19 pandemic. The pandemic and related measures taken to contain the spread of the virus, such as government-mandated business closures and travel restrictions, have negatively affected the global economy, including the economies of the markets in which we operate. Despite the roll-out of mass vaccination programmes, significant COVID-19 related restrictions, including those in response to the outbreaks of the Delta variant and subsequently the Omicron variant since the second quarter of 2021, have continued and in some instances, have been significantly tightened, in markets in which we operate. While there has been a simultaneous increase in customer demand for health insurance and a shift towards contactless selling and services, border controls and travel restrictions, such as those imposed in Hong Kong and the recent lock-down in Macau, and the continuing uncertainty over the extent and timing of the re-opening of the border between Hong Kong and mainland China, have had and may continue to have an adverse effect on our sales to MCVs and other customers. Specifically, these restrictions contributed to a decline in our offshore APE in Hong Kong (and Macau) from US$207 million in 2019 to US$91 million in 2020, before recovering moderately to US$127 million in 2021 due to the easing of travel restrictions in Macau. Our APE in Hong Kong (and Macau) decreased by 4.9% from US$123 million in the three months ended 31 March 2021 to US$117 million in the three months ended 31 March 2022, primarily due to the increased COVID-19 restrictions imposed in Hong Kong. We also experienced increases in COVID-19 related claims in some markets, particularly the Philippines; however, total non-COVID-19 related claim amounts declined by 2.0% from 2020 to 2021. Additionally, our distributors have similarly adjusted their operations in light of the COVID-19 pandemic. The intra-country travel restrictions have affected our distributors' ability to interact with customers through face-to-face meetings, which has affected and may continue to affect our revenue. If our distributors or other business partners experience shutdowns or continued business disruptions, our ability to conduct our business operations as planned could be materially and negatively affected. For further details on the impact of the COVID-19 pandemic on the Group, see "*Summary – Impact of the COVID-19 Pandemic*".

Furthermore, the COVID-19 pandemic has created significant economic uncertainty globally and has negatively affected global economic growth, the proper functioning of financial and capital markets, interest rates, currency exchange rates, capital flows, credit spreads and market liquidity, and may cause a continuing economic downturn. This may result in an increase in costs associated with claims under our policies, as well as an increase in the number of customers experiencing difficulty paying premiums, which could negatively affect our ability to adequately cover our losses. Volatility in the financial markets and interest rates may also affect our returns from investments in equities and alternative asset classes, as well as our solvency ratios.

We continue to monitor the development of the COVID-19 pandemic closely. However, there are no comparable recent events that provide guidance as to the effect of the spread of COVID-19 and a global pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. In addition, due to the rapidly evolving global situation, the risk of further waves of infections and new variants, the range of national responses, including border closures, the pace at which vaccination programmes are being rolled out and the uncertainty of the efficacy of vaccines, we cannot predict the duration or the ultimate impact of the COVID-19 pandemic. Any additional impact of the COVID-19 pandemic may have a material adverse effect on our business, financial condition, and results of operations.

Our success will depend on integrating and realising synergies from our acquisitions and our ability to execute our strategic initiatives.

As part of our business strategy, we may acquire additional businesses, assets and technologies, enter into new markets, undertake new key projects or develop new distribution channels that are complementary to our business. During the Track Record Period, we made several acquisitions and investments, principally for geographical or distribution expansion, details of which are set out in the section headed "*History, Reorganisation and Corporate Structure – Business Milestones*" in this document.

In connection with acquisitions, we may face difficulties in conducting sufficient and effective due diligence on potential targets, and we may have to incur costs to remediate or address predecessor liabilities and incidences of contractual or regulatory non-compliance, as well as other operating losses, costs and expenses that may adversely affect us following our acquisitions or investments or other strategic transactions. In addition, we may not be able to complete any subsequent acquisitions or investments due to a failure to obtain the required regulatory approvals or other reasons, and we may experience unexpected delays in completing such acquisitions and investments, which may divert management time and resources for a prolonged period of time. If we are unable to complete the key projects we undertake in accordance with planned schedules, and to capture projected benefits, there could be a material adverse effect on our business and financial condition.

We may also experience difficulties integrating, or incur higher than expected costs in relation to, our acquisitions, investments, distribution arrangements and partnerships into our business and operations. Compared to our existing Business Units, the new businesses we acquire may be at different stages of development. This may make it difficult for our group-wide strategies and initiatives, such as our centralised approach to our vision, mission and digital initiatives, to be implemented at the newly acquired businesses. If we acquire businesses in new markets, we face the additional difficulty of adapting to local practices and competing with local and multinational insurers with market knowledge, and our experience of operating in our existing markets may not provide an advantage in those new markets.

In addition, we may experience difficulties in retaining employees and management teams of newly acquired businesses following a strategic transaction. The culture, working practices and management styles at newly acquired businesses may be different from that of our existing Business Units and management teams. As a result, we may experience significant challenges in workforce integration, which may adversely affect the performance of our existing employees and management personnel. Integration of acquisitions, including consolidation of assets, services and infrastructure between our existing business and the acquired business, requires a substantial amount of management time, cost and other resources that may have to be diverted from our existing operations. We may also have to adapt our operating, governance and internal controls frameworks effectively to accommodate the transition and the new acquisitions, as well as to achieve integration goals that may be identified by regulators. Failure to integrate our acquisitions effectively may divert management time and resources for a prolonged period of time and have a material adverse effect on our business, financial condition and results of operations.

In addition, in connection with any disposal of assets or businesses we may undertake from time to time, we may contractually agree or be otherwise legally required to indemnify the purchaser of such assets or businesses we dispose of, including in respect of liabilities that are unknown or contingent at the time of such disposals or which may materialise much later than the time of completion of the relevant disposal.

Accordingly, under these indemnities we may be exposed to potential significant liability, including in connection with or as a result of any claims or proceedings brought against us. Any actual liability incurred by us in connection with any such disposals may have a material adverse effect on our business, financial condition and results of operations. For more on the risks connected to litigation, see "*– Risks Relating to Legal and Regulatory Matters – We face the risk of litigation, regulatory investigations and other proceedings in relation to our business which may result in financial losses and reputational harm*" in this section.

Our financial condition and results of operations could be adversely affected if we are unable to successfully manage our growth.

Our future growth may place significant demands on our managerial, operational and capital resources. The expansion of our business activities exposes us to various challenges, including:

- continuing to expand, train and retain our agency force, while maintaining costs and productivity at optimal levels;

- continuing to expand our bancassurance, brokerage and other networks and upgrade the underlying technology and front and back-end support to meet expanding distribution needs;

- continuing to develop adequate underwriting and claims settlement capabilities and skills;

- recruiting, training and retaining management personnel with proper experience and knowledge; and

- strengthening and expanding our risk management and information technology systems to effectively manage the risks associated with existing and new lines of insurance products and services and increased marketing and sales activities.

We cannot assure you that we will manage our growth successfully. In particular, we may not be able to recruit, train and retain a sufficient number of qualified personnel to keep pace with the growth of our business.

The implementation of large-scale strategic initiatives gives rise to significant design and execution risks, may affect our operational capability and capacity, and may adversely impact our businesses and the delivery of our strategies if these initiatives fail to meet their objectives.

In order to implement our business strategies for growth, improve customer experiences, improve operational excellence, meet regulatory and industry requirements and maintain market competitiveness, we undertake large-scale strategic initiatives, such as group restructuring, acquisitions and disposals. While we have benefited from growth through acquisitions, our underlying business has experienced substantial organic growth in nearly all of our markets in terms of scale, new business growth and capital. We achieved 4.7 times APE growth in 2021 since our first full year of operations in 2014, growing from US$309 million in 2014 to US$1,446 million in 2021, and our VNB grew 5.6 times over the same period, increasing from US$123 million in 2014 to US$686 million in 2021. Our APE and VNB further grew to US$405 million and US$191 million in the three months ended 31 March 2022 in comparison to US$404 million and US$172 million in the three months ended 31 March 2021, respectively. Many of these initiatives are complex, interconnected and/or of large scale. There may be a material adverse effect to our businesses, customer satisfaction, financial condition, results of operations and prospects if these initiatives incur unplanned costs, are subject to implementation delays, or fail to fully meet their objectives. Additionally, there may be adverse non-financial (including operational, regulatory, conduct and reputational) implications for us. These initiatives inherently give rise to design and execution risks and may increase our business risks, such as placing additional strain on the operational capacity, or weakening the control environment.

Certain metrics and key performance indicators we present in this document are based on a number of assumptions and may vary significantly as those assumptions change.

We have included in this document estimates of Operating EV, Group EV, EV equity, VNB, EV operating profit and VNB margin, which are also included in the Actuarial Consultant's Report set forth in Appendix III to this document. The calculation of these values necessarily includes numerous assumptions and estimates with respect to, among other things, industry performance, general business and economic conditions, investment returns, reserving standards, regulatory requirements relating to solvency ratios and policyholder values, taxation, life expectancy and other matters, many of which are beyond our control. Specifically, we make certain assumptions and estimates regarding, among other things, risk discount rates, investment yields, mortality rates, morbidity rates, lapse rates, expense assumptions, commissions, policy dividends, crediting rates and tax rates. Moreover, the values shown in the Actuarial Consultant's Report and in this document do not encompass the full range of potential outcomes. The embedded value results are not intended to represent an opinion of market value and should not be interpreted in that manner. Actual market value is determined based on many factors. In particular, embedded value does not include the potential contribution arising from future new business which will depend on, among other things, the prospects of the Pan-Asian life insurance market, our future position in this market and the profitability of future new business. Further, the embedded value results are presented as at the valuation dates referenced in the Actuarial Consultant's Report. Except where otherwise stated in the Actuarial Consultant's Report, the figures stated therein and in this document as at any valuation date do not make allowance for any developments after such date. It should be recognised that assumptions and estimates involve judgment and are forward-looking, actual future results may vary from those shown, on account of changes in the operating and economic environments and natural variations in experience and such differences may be material. We cannot assure you that the future experience will be in line with the assumptions made.

Reinsurance may (i) be unavailable at current levels and prices, which may limit our ability to underwrite new business, and (ii) subject us to counterparty risk and may not be adequate to protect us against losses, which could have a material effect on our business, financial condition and results of operations.

We reinsure a portion of the risks that we assume under our insurance products to multiple international and local reinsurers to manage our insurance risk, maintain our capital position within our risk appetite limits and leverage the reinsurers' knowledge for our product development. We also obtain reinsurance for capital management purposes. To reduce our reinsurance concentration risk, we use various leading international and local reinsurers. We select our reinsurers based on their financial strength, services and terms of coverage, claims settlement efficiency and price. In addition to using external reinsurers, we have also established FWD Reinsurance, a Cayman-incorporated captive reinsurance company, for capital optimisation and margin enhancement. We also use Swiss Re, one of our shareholders, to reinsure certain products.

Our ability to obtain reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, many of which are beyond our control. In particular, certain risks that we are subject to, such as epidemics and war risks, are difficult to reinsure. If we are unable to renew any expiring external reinsurance coverage or to obtain acceptable new external reinsurance coverage, our net risk exposure could increase or, if we are unwilling to bear an increase in net risk exposure, the amount of risk we are able to underwrite and the breadth of our product offerings could decrease. To the extent that we are unable to utilise external or captive reinsurance effectively, for example because of changes in tax treatment or due to changes in regulatory views on acceptability of reinsurance arrangements, our business, financial condition and results of operations may be materially and adversely affected. Alternatively, we could elect to pay higher than reasonable rates for reinsurance coverage, which could have a material adverse effect upon our profitability until policy premium rates could be raised, in most cases subject to approval by our regulators, to offset this additional cost. We also cannot guarantee that we would be able to obtain these required approvals to raise our policy premium rates. In addition, we may from time to time enter into retrocession reinsurance arrangements, which could subject us to additional risks relating to the quality of the ceded reinsurance portfolio.

Additionally, we are also exposed to credit risk with respect to reinsurers in all lines of our insurance business. Although our reinsurance counterparties are liable to us according to the terms of the reinsurance arrangements, we remain liable to our policyholders as the direct insurers on all risks reinsured. As a result, reinsurance does not eliminate our obligation to pay all claims, and we are subject to the risk that one or more of our reinsurers will be unable or unwilling to honour their obligations, that the reinsurers will not pay in a timely fashion, or that our losses are so large that they exceed the limits inherent in our reinsurance contracts, limiting recovery. Reinsurers may also become financially unsound by the time that they are called upon to pay amounts due, which may not occur for many years, in which case we may have no legal ability to recover what is due to us under our agreement with such reinsurer. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time consuming, costly, and uncertain of success. If our reinsurers fail to pay us on a timely basis, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Concentrated surrenders may materially and adversely affect our business, financial condition and results of operations.

Under normal circumstances, it is generally possible for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency or macroeconomic events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, changes in relevant government and regulatory policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, or the severe weakening of our financial strength, may trigger massive surrenders of insurance policies. For example, in 2019, the Food and Health Bureau launched the VHIS in Hong Kong with the goal of creating minimum standards for certified individual medical insurance plans and giving consumers greater transparency and tax benefits. We are one of the registered providers under the VHIS. Since the VHIS offers an alternative to existing medical insurance products, as our VHIS sales grow, it has resulted in a decrease in persistency of our existing medical insurance products and we expect it to continue to have an impact on our operations in Hong Kong as customers may surrender or not renew existing medical insurance products to buy products under the VHIS either from us or another provider of such products. If significant and concentrated surrenders were to occur, the value that we expect to generate from our in-force policies would be adversely impacted and we would have to dispose certain of our investment assets, possibly at unfavourable prices, in order to make the significant amount of surrender payments. This could materially and adversely affect our business, financial condition and results of operations.

As a holding company, we depend on the ability of our subsidiaries to transfer funds to us to meet our obligations and pay dividends. Our subsidiaries' remittance of capital depends on their earnings, regulatory requirements and restrictions and macroeconomic conditions.

Our Company is a holding company and does not conduct any significant business operations of its own. Our Company depends on dividends, other distributions and payments from our operating subsidiaries, and its ability to pay dividends and other obligations is dependent on the flow of funds from and among our operating subsidiaries.

Our operating subsidiaries are subject to a variety of insurance and other laws and regulations that vary by jurisdiction and are intended to protect policyholders and beneficiaries in that jurisdiction first and foremost, rather than investors. We are a regulated insurer in Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam, Malaysia, Bermuda and the Cayman Islands and may only pay dividends if we are able to meet the applicable legal requirements and requirements of the relevant regulators and supervisors in these jurisdictions. Our regulated subsidiaries are generally required to maintain solvency and capital standards as set by their local regulators and may also be subject to other legal and regulatory restrictions, including having adequate retained earnings and compliance with risk-based capital requirements, all of which may limit their ability to pay dividends or make distributions to us. See "– *New solvency standards may affect our capital position*." In particular, we are required to obtain the HKIA's prior written consent before declaring or paying dividends. For details, see "*Regulatory Overview and Taxation*". In addition, the ability of our operating subsidiaries to pay us dividends in the future will also depend on their earnings, their ability to generate surplus capital, as well as macroeconomic conditions and other local regulatory requirements and restrictions, including exchange controls and economic or trade sanctions. We cannot assure you that our operating subsidiaries will be able to make dividend payments, other distributions and payments in amounts sufficient to meet our cash requirements or to enable us to pay any dividends.

We do not wholly or directly own our businesses in some jurisdictions, which entails certain risks.

We do not wholly own our businesses in Malaysia and Indonesia. In Malaysia, we own an equity interest of 49.0% in FWD Takaful, a family takaful operator offering family takaful products. While we are the largest shareholder in FWD Takaful, the minority shareholders have certain protective rights, whether contractually or pursuant to applicable local laws and regulations, or may have economic or business interests or goals that are not consistent with ours, or may, as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations as minority shareholders. For example, a minority shareholder could decide to sell its shares in the business in breach of any applicable pre-emptive rights, prevent us from acquiring full control of the business or oppose our proposals and other actions relating to strategic transactions and other matters, such as mergers, acquisitions, disposals, financings and commercial partnerships. Additionally, any disagreements or disputes between us and the minority shareholders in any of these businesses may lead to litigation, harm our reputation or prevent us from exercising control over or achieving our strategic or financial goals for such business. Any of these events could adversely affect the operation, performance and growth prospects of, or dilute the value of and return on our investment in, these business. Additionally, if the minority shareholders fail to make their share of capital contributions to support the growth strategy in relation to these businesses, the growth of these businesses might be adversely affected, or we may have to make additional capital contributions that exceed our equity interests in these businesses. In addition, the presence of minority shareholders may limit our ability to pay dividends and meet other obligations. Thus, our ability to control the operations and to pay dividends and meet other obligations in relation to these businesses are subject to contractual and other obligations. For details, see "*Regulatory Overview and Taxation*."

In Indonesia, we own an equity interest of 35.1% in BRI Life and have committed to providing an additional capital contribution which is expected to bring our shareholding in BRI Life to 44.0% across a three-year period post the completion of the initial subscription. Presently, Bank BRI is the largest shareholder in BRI Life. As we own a minority interest in BRI Life, we cannot assure you that the majority shareholder's strategies or goals in relation to BRI Life will be consistent with ours, or that the majority shareholder will not exercise its votes in relation to its majority stake to make decisions that do not align with our business or economic interests in BRI Life.

Furthermore, in certain markets in which we operate, in compliance with local laws and regulations, we have entered into and may enter into contractual arrangements which enable us to exercise controlling voting rights in our local subsidiaries in such markets. Relevant laws, regulations or policies may change in such markets, including a change in their application or interpretation, which may result in a change to the existing structure of our existing or future local subsidiaries and associates in these matters and our ability to exercise effective control over them.

Our success depends on retaining our existing customers and expanding our customer base.

We have experienced significant customer and policyholder growth since 2019. From 31 December 2019 to 31 March 2022, the number of our individual policyholders increased by a CAGR of 12.2%. In terms of organic new individual policyholders, we recorded a CAGR of 25.6% from 2019 to 2021, and 20.7% growth from the three months ended 31 March 2021 to the three months ended 31 March 2022. See "*Business – Customer Segments*" for further details. While we strive to build life-long partnerships with our customers by making the customer journey easy and seamless, we cannot assure you that we will be able to maintain the rate of growth we have experienced in recent years, successfully retain our existing customers, attract new customers or capture long-term value from our customers.

There are many factors that could negatively affect our ability to grow our customer base, business or scale, including, but not limited to:

- there is a prolonged impact of the COVID-19 pandemic or any other pandemic on our persistency ratio and claims;
- we fail to offer new or competitive products;
- our distribution partners fail to grow their customer base or achieve sale targets;
- we experience a deterioration of our financial strength including any change in our credit ratings;
- our digital platform experiences disruptions, including as a result of hacking, malware or other unauthorised or malevolent activity;
- we are unable to address customer concerns regarding the content, privacy, and security of our digital platform;
- technical or other problems frustrating the customer experience, particularly if those problems prevent us from generating quotes or paying claims in a fast and reliable manner;
- we suffer reputational harm to our brand resulting from negative publicity, whether accurate or inaccurate;
- customers have difficulty installing, updating or otherwise accessing our digital apps or eCommerce platform on mobile devices or web browsers as a result of actions by us or third parties;

- our competitors successfully implement their own digital platform or mimic ours, causing current and potential customers to purchase their insurance products instead of our products;

- we fail to effectively use search engines, social media platforms, digital app stores, content-based online advertising, and other online sources for generating traffic to our eCommerce platform and our digital apps;

- we fail to target customer segments that meet our underwriting requirements in a particular market or generally; or

- we fail to expand geographically.

Our inability to overcome these challenges to continuously respond to changes in customer demand and preferences to remain competitive, and to grow our business and maintain our market position, could have a material adverse effect on our business, operating results and financial condition. Further, any new products and services we launch may involve risks and challenges we do not currently face, may require us to devote significant financial and management resources and may not perform as well as expected. We may also have difficulty in anticipating customer demand and preferences, and our products may not be accepted in the market. Our success will depend, in part, on our ability to identify, develop and adapt to new trends and respond to technological advances and emerging industry standards and practices. We cannot assure you that we will be successful in these efforts.

Additionally, expanding our customer base in the millennial customer segment and developing our engagement with our target customers are key elements of our growth strategy. We intend to attract a new generation of digitally focused customers by implementing a number of strategies including a digitally-enabled distribution strategy and diverse ecosystem partnerships. Millennials represented more than half of our new individual policyholders in each of our bancassurance, agency, and other distribution channels (including brokerage/IFA and neo-insurance), respectively, in each of 2021 and the three months ended 31 March 2022. While the percentage of millennials within our total organic new individual policyholders grew in each of 2021 and the three months ended 31 March 2022, we cannot assure you that these initiatives and measures will be effective in continuing our growth in this segment, retaining our existing millennial customers or capturing greater value from our customers.

Our risk management and internal control systems may be inadequate or ineffective in identifying or mitigating the various risks to which we are exposed.

Prior to the [**REDACTED**], we operated as a private company that was not required to comply with the obligations of a [**REDACTED**] company with respect to internal control over financial reporting and we did not maintain the internal accounting and financial reporting resources necessary to comply with the obligations of a [**REDACTED**] company.

Ahead of the [**REDACTED**], we have established risk management and internal control systems consisting of organisational frameworks, policies, procedures and risk management methods that we believe are appropriate for our business operations, and we seek to continue to improve these systems, initiatives and measures to address the potential material weaknesses in these systems.

However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including identification and evaluation of risks, internal control variables and the communication of information, we cannot assure you that such systems will be able to identify, mitigate and manage all exposures to risks.

Our risk management methods have inherent limitations, as they are generally based on statistical analysis of historical data as well as the assumption that future risks will share similar characteristics with past risks. We cannot assure you that such assumptions are an accurate prediction of future events. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our financial disclosure and other obligations required by relevant regulations and reporting requirements, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the [**REDACTED**] of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential [**REDACTED**], regulatory investigations, and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

In addition, our internal control over financial reporting will not prevent or detect all errors and fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, we cannot assure you that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. Furthermore, our financial systems are not fully automated and some of our financial controls still require manual intervention and are therefore susceptible to human error. To the extent we use information technology systems to support our financial controls, these systems need regular maintenance and upgrades to handle the expansion in information as we expand our existing operations and acquire new businesses. Our historical data may also need to be updated to unwind errors identified from time to time. If we fail to carry out these maintenance or upgrades, our risk management methods and techniques may not be effective in alerting us to take timely and appropriate measures to manage our risks.

Our risk management and internal controls also depend on the proficiency of and implementation by our employees. We cannot assure you that such implementation will not involve any human error or mistakes, which may materially and adversely affect our business, financial condition and results of operations.

We have a history of net losses and expense overruns and may not achieve or maintain profitability in the future.

In 2021, we recorded a net profit of US$249 million, and in 2019 and 2020, recorded net losses of US$332 million and US$252 million, respectively. In the three months ended 31 March 2022, we recorded net loss of US$101 million compared to net profit of US$106 million in the three months ended 31 March 2021. Our net losses in 2019, 2020 and the three months ended 31 March 2022 resulted primarily from our operating expenses and the investments made to grow our business during these periods as well as financing costs and other non-recurring costs, including implementation costs for IFRS 9 and 17 and Group-wide supervision, one-off costs of integration activities, and [**REDACTED**]-related costs including incentive costs. Although we recorded a net profit for 2021, including in the three months ended 31 March 2021, this was the result of gains in short-term fluctuations in investment returns related to equities and property investment during the period and net profit from discontinued operations. We do not expect to record such gains in 2022 and expect to return to a net loss position for the year, and may record net losses in future periods as we continue to grow our business scale and presence and incur related costs, or due to macroeconomic factors or events. We have a history of expense overruns, which is typical for a life insurance company in the early growth stages. We monitor our expense overruns against our expense assumptions, which we set based on a long-term view of our expenditures and historical operating experience, including acquisition and maintenance activities by the reporting segments, and other product-related costs that drive up our spending. In line with our business strategy, we expect to continue making investments to further develop and expand our business, such as by investing in further digitalisation across all our distribution channels. We are in the process of enhancing our finance, investment and corporate governance functions in preparation for complying with public company reporting requirements as well as the implementation of the GWS framework and IFRS 17. We intend to invest substantially in our Emerging Markets to grow our business scale and presence in those markets. We made a strategic investment for a minority interest in BRI Life in Indonesia, which we completed in March 2021, and have also committed to providing an additional capital contribution to BRI Life, which is expected to bring our shareholding in BRI Life to 44.0% across a three-year period. These efforts and investments may be more costly than we expect and our revenue may not increase sufficiently to offset the expenses, which may result in continued or increased expense overruns and net losses. Accordingly, we may not achieve or maintain profitability and we may continue to incur net losses in the future.

Geopolitical and political instability, market fluctuations and general economic conditions globally and in the markets in which we operate may materially and adversely affect our business.

Our business is subject to geopolitical and political instability, market fluctuations and general economic conditions globally and in the markets in which we operate. Such risks may result from the application of protectionist or restrictive economic and trade policies with specific markets, regulations and executive powers which increase trade barriers with specific markets or restrict trade, financial transactions, transfer of capital and/or investment with specific territories, companies or individuals which could impact on the macroeconomic outlook and the environment for global financial markets; international trade disputes such as the implementation of trade tariffs; the withdrawal from existing trading blocs or agreements; and measures favouring local enterprises, such as changes to the maximum level of non-domestic ownership by foreign companies or differing treatment of foreign-owned businesses under regulations and tax rules.

The global economy has experienced, and continues to experience, uncertainty brought on by geopolitical events such as the trade negotiations between the PRC and the United States, political instability in the Middle East, Europe and various parts of the Asia-Pacific region, and the ongoing conflict in Ukraine. For example, the conflict between Russia and Ukraine has resulted in the imposition by the U.S. and other nations of sanctions and other restrictive actions against certain banks, companies and individuals in Russia. As of the date of the document, we do not have any business operations in Russia or Ukraine which would expose us to any sanctions by the U.S. or other nations. Our Group's exposure to Russia and Ukraine, through our ordinary course investments or otherwise, is insignificant. Increased geopolitical tensions may also increase cross-border cyber activity and therefore increase cyber security risks, and may lead to civil unrest. These events, together with the global impact of the outbreak of the COVID-19 pandemic, have affected the monetary and fiscal policies of governments globally, and may result in substantial volatility of equity and debt markets, fluctuations in interest rates, currency exchange rates, capital flows and credit spreads, and higher inflation, as well as reducing market liquidity and global economic activity.

These factors could lead to a prolonged downturn in the global economy, resulting in higher unemployment rates, lower income and reduced consumer spending, which could in turn negatively impact the insurance sector as a whole, including our business. For example, we may experience a decline in demand for certain types of products and services, increased claims, lapses or surrenders of policies, and defaults in the payment of insurance premiums. Difficult macroeconomic conditions may also lead to decreased corporate earnings, default of issuers whose bonds we hold or reductions in the values of these bonds due to increased perceived risk of default and declines in the value of the equity securities in our investment portfolio, which may negatively impact our investment returns and asset valuations. In addition, our counterparties may fail to discharge their obligations to us if they face economic difficulties, and we may not be able to recover the losses resulting from such failure if the obligations of our counterparties are not fully secured. Any of the above factors could have a material adverse effect on our business, financial condition and results of operations.

Our business is also subject to the general political and economic conditions in our key markets, in addition to the specific factors set forth below:

- in Hong Kong, social and political factors, the COVID-19 pandemic and related government measures such as the border controls imposed since 2020, as well as the resurgence of COVID-19 infections in 2021 and early 2022, have led to a significant decline in the number of visitors traveling to Hong Kong, which has consequently led to a decline in our sales to offshore customers, and payment of renewal premiums by policyholders in general. Given the uncertainty of the duration and impact of the COVID-19 pandemic, we cannot predict when or if revenue generated from offshore customers will be restored to pre-pandemic levels. While we have taken steps to change our product offering and marketing strategies in Hong Kong in response, including switching our focus to onshore customers and offering remote sales and customer services, we cannot assure you that these measures will continue to be effective. Responses by the U.S., U.K. and other governments to constitutional or legislative changes in Hong Kong, which continue to develop, may adversely impact Hong Kong's economy with potential adverse sales, operational and product distribution impacts to our Company;

- in Thailand, in addition to the impact of the COVID-19 pandemic on the general economy, political events and policy changes, such as the social instability and protests since the 2019 general election, have continued to impact our business operations and financial condition;

- in Japan, the COVID-19 pandemic and the corresponding government measures, such as the declaration of a state of emergency in certain regions, negatively impacted our sales since the second quarter of 2020. Furthermore, the changes announced by the tax authorities in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) have resulted in a material and adverse impact on our sales of those products in Japan. While we have taken steps to significantly adjust our product offering in Japan in response, we cannot assure you that these adjustments will be effective; and

- in Macau, Cambodia, the Philippines, Indonesia, Singapore, Vietnam and Malaysia, the impact of the COVID-19 pandemic and changes in the political and regulatory environment in these jurisdictions could have an adverse effect on our business and results of operations.

A failure to understand, manage and provide greater transparency of our exposure to environmental, social and governance (ESG) related risks may have increasingly adverse implications for us and our stakeholders.

ESG-related risks may directly or indirectly impact our business and the achievement of our strategy and consequently those of our key stakeholders, which range from customers, institutional investors, employees and suppliers, to policymakers, regulators, industry organisations and local communities. A failure to transparently and consistently implement our ESG strategy across operational, underwriting and investment activities may adversely impact our financial condition and reputation and may negatively impact our stakeholders, who all have expectations, concerns and aims related to ESG matters, which may differ, both within and across the markets in which we operate. In our investment activities, our stakeholders increasingly have expectations of, and place reliance on, an approach to responsible investment that demonstrates how ESG considerations are effectively integrated into investment decisions and the performance of fiduciary and stewardship duties. These duties include effective implementation of exclusions, voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager, in line with internally defined procedures and external commitments. For more information on our group-wide ESG strategy, see "*Business – Environmental, Social And Governance Matters.*"

Market conditions, failure to meet our financial and operating targets, including growth of our customer base, and other factors could materially and adversely affect our intangible assets, including in respect of the goodwill and distribution rights recorded in our balance sheet, which in turn could materially and adversely affect our business, results of operations or financial condition.

Business and market conditions may impact the amount of intangible assets, including in respect of our distribution rights and goodwill, such as our goodwill arising in respect of our insurance businesses, as well as distribution rights in respect of our exclusive bancassurance and distribution arrangements, which we carry in our consolidated balance sheet in relation to our business. To the extent that market and economic conditions deteriorate, the fair value of such intangible assets will be adversely affected and reaching the conclusion that fair value exceeds carrying value will, over time, become more difficult. As a result, subsequent impairment tests may occur more frequently and be based on more negative assumptions and future cash flow projections, and may result in an impairment of intangible assets, including in respect of the goodwill and distribution rights recorded in our balance sheet. An impairment may result in a material charge to our earnings, which would materially and adversely affect our business, results of operations or financial condition. Because the value of our intangible assets may be significantly impacted by such factors as the state of the financial markets and ongoing operating performance, significant deterioration or prolonged weakness in the financial markets or economy generally, or our failure to meet financial and operating targets, or our distribution partners failing to grow their customer base, could adversely impact impairment testing and also may require more frequent testing for impairment. Any impairment would reduce the amount of intangible assets recorded, with a corresponding charge to earnings, which could be material. Our net book value of intangible assets was US$3,487 million, US$3,531 million, US$3,348 million and US$3,332 million as of 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, of which US$1,448 million, US$1,615 million, US$1,560 million and US$1,558 million is attributable to goodwill arising in respect of our insurance businesses as of 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

We rely on the experience and expertise of our senior management team, key technical and operations employees and other highly skilled personnel and sales force, and a lack of ability to attract, motivate and retain talented professionals may adversely affect our business, financial condition and results of operations.

The success of our business is dependent in part on our ability to attract and retain key personnel and sales force, including management personnel, technical operations personnel, agents and distribution partners, who have in-depth knowledge and understanding of the insurance markets in which we operate. In a few of the insurance markets in which we operate, we are also required by law to hire a minimum percentage of domestic talent or recruit local personnel for certain key roles. We cannot assure you that we will be able to attract and retain qualified personnel or that our senior management or other key personnel will not retire or otherwise leave us at any time.

We face competition to attract and retain agency leaders, individual agents, as well as sales representatives in our bancassurance and brokerage distribution channels. We compete with other companies for the services of agents on the basis of our reputation, product range, compensation, training, support services and financial position. Further, access to the bancassurance and brokerage distribution channels is subject to similar competition. Our arrangements with such distribution partners may not be on an exclusive basis, with our products and services being distributed along with those of our competitors. Even for partnerships with exclusivity, our partners would still have ways to terminate their contracts with us if we fail to provide competitive products. Any adverse movement in any of these factors could inhibit our ability to attract and retain adequate numbers of qualified agents and adversely affect our ability to maintain the effectiveness of such distribution channels and develop relationships with other distribution partners.

Increasing competition for experienced individual insurance agents from insurance companies and other business institutions may also force us to increase the compensation of our agents, which would increase operating costs and reduce our profitability. Furthermore, we cannot assure you that we will be able to maintain these relationships at an acceptable cost or at all. To the extent we are unable to maintain our existing distribution relationships or secure new distribution relationships, we may not be able to maintain or increase our new business premiums, which may materially and adversely affect our business, financial condition and results of operations.

We also depend on the sound underwriting, product development, risk control, business development and actuarial expertise of our senior management, investment managers and other key employees. The competition for qualified technical, sales and managerial personnel in the insurance sector in the markets in which we operate is challenging. To attract top talent, we have to offer, and believe we will need to continue to offer, competitive compensation and benefits packages. We may also need to increase our employee compensation levels in response to competitor actions. If we are unable to hire new employees quickly enough to meet our needs, or otherwise fail to effectively manage our hiring needs or successfully integrate new hires, our efficiency, ability to meet forecasts, productivity and retention could suffer, which in turn could have an adverse effect on our business, results of operations and financial condition.

Our business depends on a strong brand, and any failure to maintain and enhance our brand would hurt our ability to grow our business, particularly in new markets where we have limited brand recognition.

We have developed a strong brand that we believe has contributed significantly to the success of our business. Maintaining and enhancing the "FWD" brand and our other brands is critical to growing our business, particularly in new markets where we have limited brand recognition. If we do not successfully build and maintain a strong brand, our business could be materially affected. Maintaining and enhancing the quality of our brand may require us to make substantial investments in areas such as marketing, community relations and employee training. We actively engage in advertisements, targeted promotional mailings and email communications, and engage on a regular basis in public relations and sponsorship activities. These investments may be substantial and may fail to encompass the optimal range of traditional, online and social advertising media to achieve maximum exposure and benefit to the brand. If we fail to maintain or, in newer markets, establish, a positive reputation concerning our brand, we may not be able to attract or retain customers as well as agents and distribution partners, and, as a result, our business, financial condition or results of operations may be adversely affected.

Our brand names and intellectual property are valuable to us and we may not be successful in protecting them.

We have invested and expect to continue investing significant resources in establishing our brand names, brand visual identities and our marketing and technology intellectual property. Our success is dependent in part on protecting our intellectual property rights and technology (such as source code, information, data, processes and other forms of information, know-how and technology). We rely on a combination of copyrights, trademarks and contractual restrictions to establish and protect our intellectual property. While we take precautions designed to protect our intellectual property, including through contracts with third parties to protect our intellectual property rights, we cannot assure you that these contracts will fully safeguard our intellectual property rights or that our competitors and other unauthorised third parties will not copy our technology and use our proprietary brand, content and information to create or enhance competing solutions and services. In addition, we may not be able to protect the "FWD" and other brand names, which could reduce the value associated with them, erode any competitive advantage and materially harm our business and our prospects of profitability. The validity, enforceability and scope of protection of intellectual property rights may vary across the jurisdictions in which we operate, and we may not be successful in enforcing these rights. Accordingly, we may not be able to adequately protect our intellectual property rights. If we are unable to protect our brand names and other intellectual property rights from infringement, our competitive position may also be undermined, and we may suffer material losses and harm to our reputation.

We currently hold various domain names relating to our brand in all the markets in which we operate, including *fwd.com*. Failure to protect our domain names could adversely affect our reputation and brand and make it more difficult for users to find our eCommerce platform and our online applications. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

In addition, while we take care to ensure that we do not infringe on third parties' intellectual property rights or breach the terms of any license of intellectual property granted by third parties, we cannot assure you that we will not face infringement claims brought by third parties, which may have a material adverse effect on our business and financial condition.

We may be required to spend significant resources in order to monitor and protect our intellectual property rights, and some violations may be difficult or impossible to detect. Litigation to protect and enforce our intellectual property rights could be costly and time-consuming to management and could result in the impairment or loss of portions of our intellectual property. Our efforts to enforce our intellectual property rights may be met with defences, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorised copying or use could impair the functionality of our platform, delay introductions of enhancements to our platform, result in our substituting inferior or more costly technologies into our platform or harm our reputation or brand. We may be required to license additional technology from third parties to develop and market new offerings or platform features, which may not be on commercially reasonable terms or at all and could adversely affect our ability to compete.

Catastrophic events could materially and adversely affect our business, financial condition and results of operations.

The threat of epidemics, including the ongoing COVID-19 pandemic and policies implemented by governments to deter the spread of the disease, has had and may continue to have an adverse effect on consumer confidence and the general economic conditions to which we or the third parties upon whom we rely to service our customers are subject. International tensions in many parts of the world, terrorism, ongoing and future military and other actions, heightened security measures in response to these threats, natural disasters (including tsunamis and earthquakes), climate change or other catastrophes may cause disruptions to commerce, reduced economic activity and high market volatility. For further details on the impact of the COVID-19 pandemic on the Group, see "*– The COVID-19 pandemic has caused and may continue to cause disruptions to our operations and negatively affect our business, financial condition, and results of operations*" and "*Summary – Impact of the COVID-19 Pandemic*". Our insurance businesses expose us to claims arising out of such events, in particular to the risk of catastrophic mortality or morbidity, such as an epidemic or other events that cause a large number of claims or increase in reserves and capital requirements.

In accordance with IFRS, we do not establish reserves for catastrophes in advance of their occurrence, and the loss or losses from a single catastrophe or multiple catastrophes could materially and adversely affect our business, financial condition and results of operations. Although we carry reinsurance to reduce our catastrophe loss exposures, due to limitations in the relevant terms of our reinsurance contracts and the underwriting capacity limits in the reinsurance market, as well as difficulties in assessing our exposures to catastrophes, this reinsurance may not be sufficient to protect us adequately against loss.

Our failure to understand and respond effectively to the risks associated with corporate governance could adversely affect us.

A failure to maintain high standards of corporate governance may adversely impact us and our customers, staff and employees, through poor decision-making and a lack of oversight of our key risks. Poor governance may arise where key governance committees have insufficient independence, a lack of diversity, skills or experience in their members, or unclear (or insufficient) oversight responsibilities and mandates. Inadequate oversight increases the risk of poor senior management behaviours. We operate across multiple jurisdictions and have a group and subsidiary governance structure which may add further complexity to these considerations. Participation in joint ventures or partnerships where we do not have direct overall control and the use of third party distributors and agents increases the potential for reputational risks.

Our failure to understand and respond effectively to certain social changes could adversely affect our achievement of our strategies.

Social risks that could impact our results of operations, financial condition and prospects may arise from a failure to consider the rights, diversity, well-being, and interests of people and communities in which we or the third parties that we cooperate with, operate. These risks are increased as we operate in multiple jurisdictions with distinct local cultures and considerations. As an employer, we are also exposed to the risk of being unable to attract, retain and develop highly skilled employees, which may increase if we do not have in place responsible working practices or fail to recognise the benefits of diversity or promote a culture of inclusion. The potential for reputational risk extends to our supply chains, which may be exposed to factors such as poor labour standards and abuses or allegations of abuses of human rights. Emerging population risks associated with public health trends (such as an increase in obesity) and demographic changes (such as population urbanisation and ageing) may affect customer lifestyles and therefore may impact claims against our insurance product offerings. In addition, we are exposed to heightened social and ethical risks as we are increasingly focused on data analytics, technologies and distribution channels for a broadening range of products and services, such as the use of machine learning and AI technologies.

If our employees and tied agents were to engage in a strike or other work stoppage or interruption, our business, results of operations, financial condition and liquidity could be materially adversely affected.

Although we believe that our relations with our employees and tied agents are good, if disputes with our employees and/or tied agents arise, or if our employees and/or tied agents engage in a strike or other work stoppage or interruption, we could experience a significant disruption of, or inefficiencies in, our operations or incur higher labour costs, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. In addition, our employees in Japan are represented by a labour union.

Involvement of members of our management, our directors, and entities with which they are affiliated in civil disputes, criminal proceedings, litigation, government or other investigations or other actual or alleged misconduct, whether related or unrelated to our business affairs, may be detrimental to our reputation and/or have an adverse effect on the [REDACTED] of our securities.

Members of our management team, our directors, and entities with which they are affiliated have been, and in the future may be, involved in a wide variety of businesses and other activities. As a result of such involvement, members of our management, our directors, and entities with which they are affiliated may become involved in civil disputes, criminal proceedings, litigation, governmental or other investigations or other actual or alleged misconduct relating to their affairs, whether related or unrelated to our Company. Any such development, including any negative publicity related thereto, may be detrimental to our reputation and/or have an adverse effect on the [**REDACTED**] of our securities.

While we currently have immaterial operations in mainland China, in the event these operations grow we would be subject to a greater extent than we currently are to uncertainties with respect to the laws and regulations of the PRC.

The Group does not currently sell any insurance products or operate an insurance business in mainland China that is subject to regulation by any insurance regulator in the PRC. We currently have non-substantive operations in mainland China, which comprise only the maintenance of a representative office and the provision of shared services to the Group through two PRC-incorporated subsidiaries. The representative office serves the purpose of maintaining a presence in mainland China, and the shared services primarily consist of certain IT and support services. These functions are not material to the Group.

If we commence business and customer facing operations in mainland China, whether as a result of organic growth or any future acquisition, or if the laws and regulations as they apply to our existing operations in mainland China change, we could become subject to a greater extent than we currently are to the laws and regulations of the PRC. Some of these laws and regulations are relatively new, and some degree of uncertainty exists in connection with their applicability and how they will be interpreted and enforced. This uncertainty is exacerbated by the fact that precedents regarding the interpretation, implementation and enforcement of PRC laws and regulations are of limited value for decisions, since higher court decisions in the PRC do not necessarily have binding effect on lower courts. In addition, the implementation of laws and regulations in the PRC may be in part based on government policies and internal rules that are subject to the interpretation and discretion of different government agencies, some of which are not published on a timely basis or at all, and some of which may have a retroactive effect. As a result, we may not be aware of a violation of these policies and rules until after the violation, which would expose us to the risk of enforcement action, litigation, penalties or other sanctions. Any litigation or enforcement action in the PRC, regardless of outcome, may be protracted and result in substantial costs and diversion of resources and management attention. An example of a PRC regulatory regime that is currently subject to uncertainty relates to data security, and uncertainties as to the applicability of the related laws and regulations is discussed under "*– Risks Relating to Legal and Regulatory Matters – Our failure to comply with data privacy laws and regulations in our geographic markets could have a material adverse effect on our business, financial condition and results of operations*". If we become subject to the Data Security Law, we would be required to comply with certain PRC data security and privacy obligations, including the need potentially to conduct a national security review of data activities that may affect the national security of the PRC, and being prohibited from providing data to foreign judicial or law enforcement agencies without approval from relevant PRC regulatory authorities.

In addition to data security, relevant organs of the PRC government have made recent statements or recently taken regulatory actions related to anti-monopoly and overseas listings of mainland China businesses. For example, in addition to the PRC Data Security Law and the Draft Measures, relevant PRC government agencies have recently taken anti-trust enforcement action against certain mainland China-based businesses. We understand that such enforcement action was taken pursuant to the PRC Anti-Monopoly Law which applies to monopolistic activities in domestic economic activities in mainland China and monopolistic activities outside mainland China which eliminate or restrict market competition in mainland China. In addition, in July 2021, the PRC government provided new guidance on locally-based companies raising capital outside of mainland China, including through arrangements called variable interest entities ("**VIEs**"). Since we do not have any substantive operations in mainland China, and do not have a VIE structure, we believe that these recent statements or regulatory actions should not have any material adverse impact on our ability to conduct business, accept foreign investments, or [**REDACTED**]. However, there is no guarantee that this will continue to be the case. Should such statements or regulatory actions be held to apply to us, it would likely have a material adverse impact on our business, financial condition and results of operations, our ability to [**REDACTED**] and our ability to [**REDACTED**] securities to investors, any of which may cause the value of the Shares to significantly decline.

We are subject to the risk of potential adverse policy changes and other risks associated with offshore insurance coverage.

The Group's operations in Hong Kong (and Macau) have historically benefited from selling insurance products to MCVs. In 2019, 2020, 2021 and the three months ended 31 March 2022, US$141 million, US$20 million, US$39 million and US$14 million of APE and US$60 million, US$8 million, US$6 million and US$4 million of VNB were attributable to our sales to MCVs. As of 31 March 2022, 56,058 of the Group's policyholders were MCVs, representing approximately 1.0% of the Group's total policyholders, and 1.2% of the Group's total in-force policies were attributable to MCVs.

Sales to MCVs as well as payment of renewal premiums by MCVs have slowed down due to stricter capital controls in mainland China, the social unrest in Hong Kong that began in 2019, as well as the COVID-19 pandemic and associated government measures such as border controls and mandatory quarantine requirements. To the extent our sales to MCVs continue to decline or the relevant regulators introduce any adverse policy changes, our business operations and financial performance, particularly in Hong Kong (and Macau), will be adversely affected.

RISKS RELATING TO CREDIT, COUNTERPARTIES AND INVESTMENTS

New solvency standards may affect our capital position.

The International Association of Insurance Supervisors (the "**IAIS**") is in the process of developing a risk-based capital framework that takes into account different risk factors in the assessment of the capital adequacy of Internationally Active Insurance Groups ("**IAIGs**"). All member supervisors around the world are obliged to observe the new Insurance Core Principles. Additional requirements that may be proposed in the future, such as the Insurance Capital Standard (the "**ICS**"), currently developed by the IAIS as part of its Common Framework for the Supervision of IAIGs, could result in changes to the required capital regulations applicable to IAIGs. We expect the HKIA to propose designating us as an IAIG in 2022, and therefore these changes could affect our business and investment activities and could impact our capital requirements and structure and ability to distribute dividends. On 31 July 2018, the IAIS issued the Risk-based Global Insurance Capital Standard Version 2.0 ("**ICS 2.0**"), a public consultation document to solicit feedback from stakeholders on the ICS. The ICS 2.0 was adopted in 2019, and a five-year monitoring period began in 2020.

In addition, we anticipate significant developments in solvency standards in our three largest geographic markets. These developments will impact our capital positions and, as a result, could materially impact the nature of the products we offer and the investment strategies we adopt:

- Hong Kong is in the process of moving to a Risk Based Capital ("**RBC**") regime from the current rules-based regime. The new regime will comprise three pillars (Pillar 1: quantitative requirements; Pillar 2: qualitative requirements; and Pillar 3: disclosure and transparency requirements). Pillar 2 was introduced via the

HKIA's Guideline on Enterprise Risk Management (GL21) and was effective from 1 January 2020. The remaining Pillar 1 and Pillar 3 requirements are expected to be introduced in 2024, subject to final approval and legislative adoption. These areas are the subject of ongoing consultation and field testing. Quantitative Impact Studies ("**QIS**") were conducted in 2017, 2018, 2019 and 2020 with further consultation related to details of participating fund management over the course of 2021. On 28 December 2021, the HKIA published a circular detailing early adoption of aspects of the Pillar 1, which the HKIA has approved for early adoption by FWD Life (Bermuda) with effect from 30 June 2022. As of the date hereof, the final details of Pillar 3 and the remaining aspects of Pillar 1 of the RBC regime have not yet been finalised; accordingly, uncertainty remains over the time of implementation, the final form and the potential impact of these remaining aspects on us.

- Thailand implemented Risk Based Capital 2 ("**RBC 2**"), which became effective on 31 December 2019, and is actively considering further changes to risk-based capital standards that would increase the sufficiency level from 95% to 99.5% and would also change risk charge levels and components. It is contemplated that changes would be implemented gradually over time.

- In Japan, in connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the Financial Services Agency of Japan is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium term reviews of solvency margin regulations. The new regulations are expected to be significantly different from the current regulations.

Our operating subsidiaries are also subject to the regulatory requirements and solvency standards in other markets in which the Group operates, which may evolve and are subject to change. For example:

- In Malaysia, Bank Negara Malaysia ("**BNM**"), the central bank of Malaysia, has initiated a multiphase review of its current RBC frameworks for insurers and takaful operators which has been conducted since 2019. The review aims to ensure that the frameworks remain effective under changing market conditions, facilitate consistent and comparable capital adequacy measurement across the insurance and takaful industry, where appropriate, and achieve greater alignment with key elements of the global capital standards such as ICS, where appropriate. A discussion paper on proposals was issued on 30 June 2021 with responses due by 30 September 2021. The timing of the effective date of the updated rules currently remains uncertain.

- The Financial Services Authority of Indonesia (the Otoritas Jasa Keuangan or "**OJK**") has been revising investment linked products regulations with the aim of increasing insurance penetration and better protecting customer interests and improving market conduct. The final regulations will have implications for the product strategies and insurance and compliance risks for insurers.

We continue to examine the impact of new regulations, if any, on our business as a whole in the long term, and it is possible that they could affect the profitability of our products or amount of capital required. These regulations are subject to changes and different interpretations. In order to comply with applicable capital requirements, or future changes to these requirements, we may need to raise or inject additional capital, which may affect the return on investment of our shareholders. We may also need to change our business strategy, including the types of products we sell and how we manage our capital. Furthermore, compliance with capital requirements may either require us to slow the growth of our business or affect our ability to pay shareholder dividends. In addition, failure to make such adjustments to comply with capital requirements may affect our reputation or financial strength, which could in turn have a material adverse effect on our business, results of operations and financial condition. For details, see "*Regulatory Overview and Taxation*".

Compliance with solvency ratio and capital requirements in the various markets in which we operate may force us to raise additional capital, change our business strategy or reduce our growth.

We and our Business Units are required to maintain solvency ratios at a level in excess of minimum regulatory requirements. The solvency ratio of our Group and each of our Business Units is affected primarily by the volumes and types of new insurance policies sold, by the composition of the in-force insurance policies and investments and by the regulatory capital requirements in each jurisdiction. The solvency ratio is also affected by a number of other factors, including the profit margin of our products, returns on our assets and investments, interest rates, underwriting and acquisition costs, and policyholder and shareholder dividends. For details, see "*Regulatory Overview and Taxation*".

In order to comply with applicable solvency and capital requirements in each jurisdiction, we may need to raise or inject additional capital in our Group or Business Units. As a result of group-wide supervision under the GWS framework, we are subject to additional oversight by the HKIA, which we expect will require additional changes to our approach to Group capital adequacy and funding sources over time. For more details, see "*Regulatory Overview and Taxation – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Framework for group-wide supervision of certain insurance groups*". We may also need to change our business strategy, including the types of products we sell and our capital management. Finally, compliance with solvency and capital requirements may require us to slow the growth of our business in some jurisdictions or affect our ability to pay shareholder dividends, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to manage our liquidity and cash flows may materially and adversely affect our financial condition and results of operations.

Liquidity in the insurance industry primarily relates to the ability of an insurer to generate sufficient cash from its business operations, including its investment portfolio, to satisfy its obligations under its insurance policies and other financial commitments. Historically, we have funded our liquidity requirements primarily using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities. During 2019, 2020, 2021 and the three months ended 31 March 2022, our Group received an aggregate amount of US$5.3 billion from shareholders which was used by the Group for, among other things, general working capital purposes and the funding of certain acquisitions.

In addition, during the Track Record Period, we recorded significant operating cash inflows (such as cash premiums and fee income) and used such inflows to, among other operating activities, make investments in a wide variety of financial instruments in the ordinary course of our insurance business. In particular, we have been actively managing down excess liquidity through purchases of financial investments, which outweigh the cash premiums and fee income received for insurance products we issue. In 2021 and the three months ended 31 March 2022, we made a concerted effort to invest higher amounts of liquidity as a core part of our investment strategy to increase our operating profits. We expect that this trend in reducing liquidity by deploying cash in investments as an integral part of our insurance business will likely continue in 2022. Therefore, while our business generated positive cash inflows, the deployment of those cash inflows to make ordinary course financial investments resulted in net cash used in operating activities of US$32 million, US$2 million and US$868 million in our consolidated statement of cash flows for 2019, 2020 and 2021, respectively. We reported net cash provided by operating activities of US$146 million and US$384 million in the three months ended 31 March 2021 and 2022, respectively.

After the [**REDACTED**], we expect that our liquidity requirements will be financed through cash generated by our operating activities, bank borrowings and/or other funds raised from issuing debt and equity securities, together with the [**REDACTED**] we receive from the [**REDACTED**]. See "*Financial Information – Liquidity and Capital Resources*" for further details. We cannot assure you that we will be able to manage our liquidity and cash flows in a sustainable manner or that future financing will be available in amounts or on terms acceptable to us, if at all.

In addition, our liquidity is affected by the frequency and severity of policy surrenders, withdrawals, maturities, claims and guarantees under our insurance contracts. In particular, our life, general and medical insurance products expose us to the risk of unexpected cash demands in the event that a catastrophic event, such as epidemics or other events that increase mortality or morbidity, lead to a large number of claims, surrenders and early terminations by our policyholders. We seek to manage our catastrophe loss exposure through reinsurance arrangements and we also seek to reduce the likelihood of surrenders and early terminations through in-force product management and adjusting the prices of our products based on regular reviews of persistency experience. Over the Track Record Period we have not experienced any failure of meeting capital or solvency requirements in the regions in which we operate, nor have we received any formal request from regulators to strengthen our capital position for any of our operating entities. However, there is no assurance that we will be able to withstand the liquidity pressures posed by catastrophic events, the timing and effect of which are inherently unpredictable. The occurrence of one or more of such events could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to obtain financing from external sources in a timely manner, in amounts or on terms which are commercially acceptable.

We may require additional financing if we incur operating losses or for the future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our financing is insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, [**REDACTED**] performance and liquidity of the international capital and credit markets. The capital and credit markets may experience, and have experienced, varying degrees of volatility and disruption. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers. We need liquidity to pay our operating expenses, interest expenses and to capitalise our insurance subsidiaries. Liquidity may also be consumed by any increase in required contributions to our captive reinsurance. Without sufficient liquidity, we could be required to curtail our operations and our business would suffer. In addition, following the [**REDACTED**], we expect we will need to rely in part on the capital markets and third-party lenders for future funding. While we expect that our future liquidity needs will be satisfied primarily through the [**REDACTED**] of the [**REDACTED**], cash generated by our operations, borrowings from third parties and dividends and distributions from our subsidiaries, it is possible that the level of cash and securities we maintain when combined with expected cash inflows from investments and operations will not be adequate to meet our anticipated short-term and long-term benefit and expense payment obligations. If current resources are insufficient to satisfy our needs, we may need to access financing sources such as bank debt or the capital markets. The availability of additional capital or financing would depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, interest rates, credit spreads, our credit ratings and credit capacity, as well as the possibility that our shareholders, customers or lenders could develop a negative perception of our long- or short-term financial prospects if we incur large investment losses or if the level of our business activity decreases due to a market downturn. Similarly, our access to funds may be rendered more costly or impaired if rating agencies downgrade our ratings or if regulatory authorities take certain actions against us. If we are unable to access capital markets to issue new debt, refinance existing debt or sell additional shares as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

Volatile market conditions may in the future limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory reserves and rating agency capital requirements. In addition, a significant rise in benchmark interest rates, including LIBOR or equivalent rates, would lead to higher financing costs for additional debt or refinancing existing debt. For example, in May and June 2022 the United States Federal Reserve announced a 50 and 75 basis points increase in its benchmark rate respectively while indicating that further increases are likely in the remainder of the year. A significant increase in interest rates could force us to (i) delay raising capital, (ii) miss payments on our debt or reduce or eliminate dividends paid on our capital stock, (iii) issue capital of different types or under different terms than we would otherwise or (iv) incur a higher cost of capital than would prevail in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility.

We cannot assure you that we will be able to obtain financing in the future in a timely manner, in amounts or on terms which are commercially acceptable, or at all. In particular, future financing, if obtained, could include terms that restrict our financial flexibility or restrict our ability to manage our business freely, which may adversely affect our business and results of operations. Any debt financing secured by us in the future could require that a substantial portion of our operating cash flow be devoted to the payment of interest and principal on such indebtedness, which may decrease available funds for other business activities, and could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth, maintain minimum amounts of risk-based capital and to respond to business challenges could be significantly limited, and our business, results of operations and financial condition could be adversely affected.

Our substantial indebtedness could materially and adversely affect our business, results of operations or financial condition.

Historically, we have relied on indebtedness to fund working capital, to finance acquisitions and for our other funding requirements. As of 31 March 2022, we had US$2,213 million of indebtedness (including US$989 million of indebtedness from bank borrowings, US$324 million from the issuance of medium term notes and US$900 million from the issuance of subordinated notes). In addition, as of 31 March 2022, we had outstanding perpetual securities in a nominal amount of US$1,550 million and carrying value of US$1,339 million. We may incur more indebtedness in the future, subject to the terms of our debt agreements. Any such incurrence of additional indebtedness may increase the risks created by our level of indebtedness.

Our level of indebtedness could have important consequences for holders of the Shares and significant effects on our business and future operations. If we fail to meet our payment obligations or otherwise default under the agreements governing our existing indebtedness, the applicable lenders or note holders under our indebtedness will have the right to accelerate such indebtedness and exercise other rights and remedies against us. Additionally, we may be limited in our ability to obtain additional financing, if needed, to fund our working capital requirements, capital expenditures, debt service, general corporate or other obligations, including our obligations with respect to existing indebtedness. If we are unable to comply with our existing and/or future indebtedness obligations and other agreements, there could be a default under those agreements. If that occurs, lenders could terminate their respective commitments to lend to us or terminate their respective agreements, and holders of our debt securities could accelerate repayment of debt and declare all outstanding amounts due and payable, as the case may be. If any of these events occurs, our assets and cash flows may not be sufficient to repay in full all of our indebtedness and we may not be able to find alternative financing. Even if we are able to obtain alternative financing, it may not be on terms that are acceptable to us.

Changes in the method pursuant to which the LIBOR is determined and the transition to other benchmarks may adversely affect our results of operations.

LIBOR and certain other "benchmarks" have been the subject of continuing national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. In July 2017, the United Kingdom's Financial Conduct Authority (the "**FCA**"), which regulates LIBOR, publicly announced that it would no longer be necessary to persuade or compel banks to submit LIBOR rates after 2021 as financial regulators in various countries encourage market participants to transition from LIBOR to alternative rates and prepare for LIBOR cessation. In March 2021, the FCA confirmed that publication of all of the LIBOR settings for Euro and Swiss Franc and some of the LIBOR settings for Japanese Yen, Sterling and US dollars ceased on 31 December 2021, with the remaining LIBOR settings for US dollars (overnight and 12-month) ceasing immediately after 30 June 2023. To identify a successor rate for LIBOR, financial regulators in various countries, including the United States, the United Kingdom, the European Union and Switzerland, have formed working groups with the aim of recommending alternatives to LIBOR denominated in their local currencies. Some of the financial regulators have identified the Secured Overnight Financing Rate ("**SOFR**") as their preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralised by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although certain financial regulators have indicated their preference for SOFR as the preferred replacement rate for LIBOR, it is unclear if other benchmarks may emerge or if other rates will be adopted.

Some of our indebtedness has interest rate payments determined directly or indirectly based on LIBOR. See Note 27 to the Accountants' Report included in Appendix I for further details. Uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the performance of LIBOR relative to its historic values.

These contain benchmark replacement provisions in the event that LIBOR is permanently or indefinitely discontinued. However, even if the financial instruments transition to using alternative benchmarks like SOFR successfully, the new benchmarks are likely to differ from LIBOR, as the alternative benchmark rate may be calculated differently than LIBOR. This may increase the interest expense associated with our outstanding indebtedness or any future indebtedness we may incur. Further, transitioning to an alternative benchmark rate, such as SOFR, may result in us incurring significant expense and legal risks, as renegotiation and changes to documentation may be required in effecting the transition. Any of these occurrences could materially and adversely affect our borrowing costs, financial condition, and results of operations.

A downgrade in our financial strength and claims-paying ratings or any actual or perceived reduction in our financial strength could adversely affect our business, results of operations or financial condition.

Claims-paying and financial strength ratings are important factors in establishing the competitive position of insurance companies. They indicate the rating agencies' opinions regarding an insurance company's ability to meet policyholder obligations and are important to maintaining public confidence in our products and our competitive position. A downgrade in our ratings could adversely affect our business, results of operations or financial condition by, among other things, reducing new sales of our products, increasing surrenders and withdrawals from our existing contracts, possibly requiring us to reduce prices or take other actions for many of our products and services to remain competitive, or adversely affecting our ability to obtain reinsurance or obtain reasonable pricing on reinsurance. Our business, results of operations, financial condition, liquidity, statutory capital or rating agency capital position could be materially and adversely affected by disruptions in the financial markets. Any downgrade to our ratings is likely to increase our borrowing costs and limit our access to the capital markets and could be detrimental to our business relationships with distribution partners. A downgrade in our ratings may also adversely affect our cost of raising capital or limit our access to sources of capital. In addition, in the case of a downgrade in our credit ratings, our customers may not be able to obtain premium financing to purchase certain of our products. We may face additional downgrades as a result of the [**REDACTED**] or future sales of our shares by our Controlling Shareholders. As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our business, results of operations or financial condition. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Policyholders' and other counterparties' confidence in the financial strength of an insurance company, as well as in the financial services industry generally, is an important factor affecting our business. Any actual or perceived reduction in our financial strength, a significant reduction in the solvency ratio of one or more of our Business Units or a downgrade in our credit ratings could have a material adverse effect on our business, financial condition and results of operations. These effects could include, among others, increased policy surrenders, an adverse effect on new sales, increased pricing pressure on our products and services, increased borrowing costs, loss of support from distributors and counterparties such as reinsurers and an adverse impact on our ability to generate new business. The occurrence of any of these events may materially and adversely affect our business, financial condition and results of operations.

We are subject to the credit risk of our counterparties, including the issuers or borrowers whose securities or loans we hold and our trade debtors.

We have monetary and securities claims under transactions against reinsurers, brokers, other debtors and third parties. These parties include the issuers whose securities are held by us, borrowers whose loans we hold, customers, trading counterparties, counterparties under credit default swaps and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Issuers or borrowers whose securities are held by or who have entered into loans with us may not fulfil their obligations to pay scheduled interest or principal payments on such securities or loans, while third-party trade debtors may not pay amounts outstanding in respect of our accounts receivable. In addition, our reinsurance providers may be unable or unwilling to fulfil their contractual obligations related to the liabilities we cede to them which could lead to an increase in policy liabilities. Failure to recover such amounts or governmental action involving these obligations may have a material adverse effect on our business, financial condition and results of operations.

Our investment portfolio is exposed to the risk of losses, volatility and illiquidity.

Our investment portfolio is comprised primarily of debt securities. As of 31 December 2019, 2020 and 2021 and 31 March 2022, our investment portfolio totalled US$35.7 billion, US$43.7 billion, US$45.3 billion and US$43.7 billion, respectively. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a greater negative effect on our investment portfolio to the extent our portfolio is concentrated in such industry, asset class, group of related industries, country or geographic region. These types of concentrations in our investment portfolio increase the risk that, in the event we experience a significant loss in any of these investments, our business, financial condition and results of operations would be materially and adversely affected.

Our exposure to credit risk arises mainly from our investment in fixed income or debt securities and the amounts payable by our reinsurance partners. As of 31 March 2022, 83.3% of our total investment portfolio (excluding unit-linked investments) was composed of fixed income investments. The value of our fixed income securities portfolio could be affected by changes in the credit rating of the issuers of the fixed income securities we hold and by changes in credit spreads in the bond markets. In addition, issuers or our reinsurance partners may default on principal, reinsurance payable or interest payments to us and our rights against them may not be enforceable in all circumstances. Changes in our exposure to credit risk will also affect our solvency levels, capital position, reserving level and therefore our ability to comply with the supervisory capital level and our individual target capital level. Further, we may not be able to identify and mitigate credit risks successfully.

Equity and other alternative investments, including private equity investments, are subject to volatility in prices based on market movements, which can affect returns. As of 31 March 2022, investments in equity securities represented 13.7% of our total investment portfolio. Any decline in equity markets could adversely affect the value of our equity investments and, in turn, the value of our investment portfolio. In particular, given the tenor of our investment portfolio, the return on our long-term equity investments, which we consider an important profitability driver, is more susceptible to long-term volatility in the equity markets. Difficult economic conditions could also prevent companies in which we have made private equity investments from achieving their business plans and could cause the value of these investments to fall, or even cause the companies to fail. The timing and amount of investment income from private equity investments is difficult to predict, and investment income from these investments can vary from quarter to quarter. If our investment-linked funds underperform their respective benchmarks, report negative performance or the value of the underlying investments falls as a result of a decline in equity markets or otherwise, we may experience a decrease in new business and an increase in surrenders and be placed in a disadvantageous position as compared to our competitors.

In addition, there may not be a liquid trading market for some of our investments. For instance, our alternative investments include private equity investments which are inherently long-term and illiquid. As of 31 December 2019, 2020 and 2021 and 31 March 2022, we had unlisted equity securities investments of US$520 million, US$1.9 billion, US$3.1 billion and US$3.1 billion, representing 18.4%, 52.2%, 52.4% and 52.7% of our investments in equity securities. Such unlisted equity securities are mainly managed by dedicated private equity managers. The fair values of unlisted private equity funds are based on the reported net assets value in their audited financial statements, considering various factors including the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investments, our percentage over the investee and other relevant factors. See "*Financial Information – Discussion of Major Items in the Consolidated Statements of Financial Position – Investment Portfolio – Equity Securities*" for further details. Liquidity may be affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. Our ability to dispose of certain securities without significantly depressing market prices, or at all, may be limited. If we are required to dispose of investment assets on short notice, whether as a result of cash outflows due to policyholder withdrawals or for other reasons, we may suffer investment losses. See "*– We could be forced to sell investments to meet our liquidity requirements.*"

If our investment strategies are ineffective in the future and we fail to achieve our target investment return, our VNB, EV and earnings may be adversely impacted. Aside from concentration in certain assets possibly affecting our investment returns, we may experience significant losses from the performance of our investment portfolio (particularly illiquid investments) due to events at the macro-economic level, including as a result of the ongoing COVID-19 pandemic. Adverse market conditions can also lead to a reduction of the distributable surplus relating to our participating products, which may result in some payments to policyholders, such as bonuses or dividends, being decreased or not paid. Furthermore, a decrease in investment income may reduce the value of our assets under management, leading to a reduction in the fees we receive from our investment-linked business. This could in turn reduce our profits and cash flows and have an adverse effect on our business, financial condition and results of operations.

Our reputation could suffer if we are unable to maintain and grow our investment portfolio. Any damage to our reputation, resulting from poor or inconsistent investment performance can impair our ability to maintain or grow our business. Any of the above factors, alone or in combination, may materially and adversely affect our business, financial condition and results of operations.

We are subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations held in our investment portfolio.

We hold significant amounts of local currency and foreign currency denominated sovereign debt obligations in our investment portfolio and consequently are exposed to the direct or indirect consequences of political, social or economic changes (including changes in governments, heads of state or monarchs) in the countries in which the issuers of such debt are located and to the creditworthiness of the sovereign. Within our policyholder and shareholder investments, we held government bonds, primarily issued by governments in Asia, with a carrying value of US$16,840 million as of 31 March 2022, representing 38.5% of the carrying value of our total policyholder and shareholder investments. In particular, we held Thai government bonds issued in Thai Baht with a carrying value of US$10,745 million as of 31 March 2022, which carry a lower credit rating than the other government bonds in our investment portfolio. Sovereign debt ratings determine the ratings of corporate bonds in several of our markets, including Thailand, the Philippines and Indonesia, and most corporate bonds issued in these markets are below investment grade on an international rating scale. We intend to continue to include certain non-investment grade securities in our investment portfolio if we find such investment opportunities attractive and appropriate.

Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers and in particular creates exposure to the consequences of political, governmental, social or economic changes in the countries in which the issuers are located and the creditworthiness of the sovereigns. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and we may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, its relations with its central bank, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward local and international lenders, and the political constraints to which the sovereign debtor may be subject.

Moreover, governments may use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to devalue their currencies' exchange rates, or may adopt monetary and other policies (including to manage their debt burdens) that have a similar effect, all of which could adversely impact the value of an investment in sovereign debt even in the absence of a technical default. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issuers.

In addition, if a sovereign default or other such events described above were to occur as has happened on occasion in the past, other financial institutions may also suffer losses or experience solvency or other concerns, which may result in our facing additional risks relating to investments in such financial institutions that are held in our investment portfolio. There is also risk that public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally might be adversely affected as might counterparty relationships between financial institutions.

If a sovereign were to default on its obligations, or adopt policies that devalued or otherwise altered the currencies in which its obligations were denominated, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our investment portfolio is exposed to the risk of the potential long-term impact of climate change.

Environmental concerns, notably those associated with climate change, pose significant risks to us and our customers. Our investment horizons are long term and we are therefore exposed to the potential long-term impact of climate change risks, which include the financial and non-financial impact of transition and physical risks.

The global transition to a lower carbon economy may have an adverse impact on investment valuations as the financial assets of carbon intensive companies re-price, and this could result in some asset sectors facing significantly higher costs and a reduction in demand for their products and services. The speed of this transition, and the extent to which it is orderly and managed, will be influenced by factors such as public policy, technology and changes in market or investor sentiment. This climate-related transition risk may adversely impact the valuation of investments held by us, and the potential broader economic impact may adversely affect customer demand for our products. Our stakeholders increasingly expect and/or rely on us to support an orderly, inclusive and sustainable transition based on an understanding of relevant country and company-level transition plans and which takes into consideration the impact on the economies, businesses and customers in the markets in which we operate and invest. The pace and volume of new climate-related regulation emerging across the markets in which we operate and the demand for externally assured reporting may give rise to compliance, operational and disclosure risks and costs which may be increased by the multi-jurisdictional coordination required in adopting a consistent risk management approach.

Our ability to sufficiently understand and appropriately react to transition risk and our ability to deliver on any future external carbon reduction commitments may be limited by insufficient or unreliable data on carbon exposure and transition plans for the assets in which we invest. The direct physical impacts of climate change, driven by both specific short-term climate-related events such as natural disasters and longer-term changes to climate and the natural environment, will increasingly influence the longevity, mortality and morbidity risk assessments for our life insurance product underwriting and offerings and their associated claims profiles. Climate-driven events in countries in which we operate could impact our operational resilience and our customers. A failure to understand, manage and provide greater transparency of our exposure to these climate related risks may have increasingly adverse implications for us and our stakeholders.

We could be forced to sell investments to meet our liquidity requirements.

We invest the premiums we receive from our customers until they are needed to pay policyholder claims. Additionally, some of our products allow policyholders to withdraw their funds or cash values under defined circumstances. Consequently, we seek to manage the duration of our investment portfolio based on the duration of any losses and loss adjustment expenses reserves to ensure sufficient liquidity and avoid having to liquidate investments to fund claims or withdrawals. Risks such as inadequate losses and loss adjustment expenses reserves, unfavourable trends in litigation, the outcome of regulatory investigations or unexpected withdrawal activity could potentially result in the need to sell investments to fund these liabilities. We may not be able to sell our investments at favourable prices or at all. Sales could result in significant realised losses depending on the conditions of the general market, interest rates and credit issues with individual securities.

Increases in the amount of allowances and impairments taken on our investments could have a material adverse effect on our financial condition and results of operations.

We determine the amount of allowances and impairments taken in respect of our investments in accordance with IAS 39. See Note 2 to the Accountants' Report included in Appendix I. Such determination varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset classes. These evaluations and assessments are revised as conditions change and new information becomes available. The determination of the amount of allowances and impairments to be taken on our investment assets may require complex and subjective judgments. These judgments may not reflect the actual losses that we will ultimately incur on these investments. Historical trends may not be indicative of future impairments or allowances and we may not be required under future accounting standards to change the amounts of allowances and impairments of our investments. We recognised impairment losses of US$3 million, US$7 million and US$4 million, respectively, on our available for sale financial assets during 2019, 2020 and 2021.

IFRS 9 replaced IAS 39 and became effective on 1 January 2018. Pursuant to a temporary exemption, we have decided to defer adopting IFRS 9 until 1 January 2023. The main change of IFRS 9 compared to IAS 39 is that IFRS 9 brings together all three aspects of the accounting for financial instruments, including classification and measurement, impairment and hedge accounting. We are assessing the implications of IFRS 9, and we cannot assure you that the adoption of IFRS 9 will not have a material adverse effect on our business, financial condition and results of operations.

Our level 3 assets and liabilities are subject to uncertainties in accounting estimates, and fluctuations in the changes in fair value of these assets or liabilities would affect our financial results.

Some of our accounting policies require our management to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. As at 31 March 2022, we had level 3 assets of US$656 million in investment property, US$340 million in debt securities, US$3,074 million in equity securities and US$37 million in derivative financial assets that were measured at fair value by using unobservable valuation inputs. See Note 20 to the Accountant's Report in Appendix I to this document. The valuation of investments with no quoted market prices requires management estimates and assumptions, which are reviewed periodically and adjusted if necessary. Changes in any of these estimates or assumptions may lead to a change in the fair value of the financial assets and liabilities. If the fair value of our level 3 assets or liabilities were to fluctuate or decline, our business, financial condition and results of operations could be materially and adversely affected. It is possible that future accounting standards and fair value estimation that we are required to adopt may differ from the current accounting treatment that we apply to our financial statements and may result in significant changes to our results of operations. Such changes could adversely affect the trends and comparability of our financial results.

Non-recoverability of deferred acquisition costs could adversely affect our results of operations.

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset. We had deferred acquisition costs of US$4,717 million as of 31 March 2022. We hold related liabilities including an unearned premium revenue reserve of US$664 million as of 31 March 2022 and deferred profit liability of US$3,030 million as of 31 March 2022, which are held to defer recognition of revenue from up-front fees and charges received and profits from premiums received in excess of future benefits and expenses, respectively. The existence of the unearned premium revenue reserve and deferred profit liability indicate that the deferred acquisitions costs are recoverable. In addition, we assess deferred acquisition costs for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. We assess deferred acquisition costs for recoverability at least annually thereafter in the liability adequacy test together with the provision for life insurance liabilities and value of business acquired. See Note 2.3 to the Accountant's Report in Appendix I to this document. We expense these costs in our income statement to the extent that acquisition costs are not considered to be recoverable at inception or thereafter. If a significant portion of our deferred acquisition costs are determined to be non-recoverable, this could materially and adversely affect our results of operations.

Interest rates are expected to rise globally, which may materially and adversely affect our profitability and our ability to service our debt obligations.

Our investment portfolio primarily consists of fixed income investments to match the duration of our liabilities. As of 31 March 2022, 83.3% of our total investment portfolio (excluding unit-linked investments) was composed of fixed income investments. As a result, our profitability is affected by changes in market interest rates that impact the level and timing of gains and losses that we make on our fixed income investments.

Driven by inflationary pressures, interest rates are expected to rise globally. The United States Federal Reserve has raised interest rates several times in 2022, and in May 2022 and June 2022 announced a 0.5% and 0.75% increase, respectively, in its benchmark rate while indicating that further increases are likely in the remainder of the year. The United States Federal Reserve's interest rate decisions have a significant influence on central banks globally, including central banks in jurisdictions in which we operate. If interest rates increase, surrenders and withdrawals of insurance policies and contracts may increase as policyholders seek other investments with higher perceived returns. This process may result in cash outflows and may require us to sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised capital losses. Furthermore, any material fluctuations in interest rates may also increase our interest burden on our future indebtedness and could have an adverse effect on our ability to service our debt obligations.

Interest rate declines could reduce our yield on investments, adversely affecting our liquidity and cash flows.

Notwithstanding the recent and likely increases in benchmark rates, the United States Federal Reserve and other key central banks have pursued a low interest rate policy since the global financial crisis of 2008, accompanied by further interest rate decreases during the COVID-19 pandemic.

If interest rates remain low or decline in some of the markets in which we operate, we may generate less income from our future fixed income investments. In addition, as instruments in our investment portfolio mature, we may have to reinvest the proceeds from such maturing investments, which were generally purchased in environments when interest rates were higher than current levels, in new investments that bear lower yields. This could materially reduce our liquidity, cash flows and profitability. Furthermore, some of our insurance obligations have a longer duration than certain assets in our investment portfolio, and some of the premiums we charge are calculated based on an assumed investment yield. Lower interest rates reduce our average investment yield while our premiums from certain outstanding products remain unchanged, thereby reducing our profitability.

Additionally, for some of our long-term life insurance policies, we are obligated to pay a guaranteed return, minimum interest or crediting rate to our policyholders, which is established when the product is priced. The guaranteed return, minimum interest or crediting rate is partially or fully based on assumptions about interest rates. These products expose us to the risk that changes in interest rates may reduce our spread, or the difference between the rates we are required to pay under the policies and the rate of return we are able to earn on our investments supporting our insurance obligations. If the rates of return on our investments fall below the minimum rates we guarantee either explicitly or implicitly under those insurance products, our business, financial condition and results of operations could be materially and adversely affected.

We may be unable to closely match the duration of our assets and liabilities, which could potentially increase our exposure to interest rate risk.

In order to reduce our exposure to changes in interest rates, we seek to match, to the extent possible and appropriate, the duration of our assets and related liabilities. However, the availability of assets of suitable duration or alternatives in the form of derivative instruments may be restricted by applicable insurance laws, rules and regulations or other market factors. If we are unable to match the duration of our liabilities with the duration of the underlying assets, we will be exposed to interest rate changes, which may materially and adversely affect our business, financial condition and results of operations.

Fluctuations in currency exchange rates may adversely affect our financial condition and results of operations.

While the currency of our assets and liabilities are generally matched, we are still exposed to foreign currency exchange risk arising from fluctuations of exchange rates of the currencies in the jurisdictions where we operate, primarily because some of our investments in equity, fixed income securities and collective investment schemes and property are denominated in currencies that are different from the currencies of the underlying liabilities. Our most significant foreign currency exposure is to the Thai Baht and the Japanese Yen. We do not currently target to hedge either our revenues or our net equity position in any of our operating subsidiaries. See "*Financial Information – Foreign exchange rate risk*" and Note 31 to the Accountants' Report included in Appendix I. We review our hedging strategy from time to time and may change our hedging policy in the future. The effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in our financial statements upon translation of the results into US dollars. In particular, fluctuations in the value of the US dollar will affect the value of our investment assets which are denominated in US dollars and may affect our ability to service debts. In addition, Hong Kong has maintained a pegged exchange rate system between the Hong Kong dollar and the US dollar since 1983. If this system is ever discontinued, our assets and operating results denominated in Hong Kong dollars could face significant fluctuations.

RISKS RELATING TO OUR PRODUCTS AND PRODUCT DISTRIBUTION CHANNELS

If we are unable to expand our product offerings or our new business initiatives do not achieve the intended results, our business, financial condition and results of operations may be adversely affected.

The insurance and investment product markets are constantly evolving in response to shifts in the preferences of customers. Our future success will depend on our ability to adapt to changing customer preferences and industry standards, and on our ability to respond with new product offerings and services. In furtherance of this objective, we are focused on delivering products that are designed to address the increasing awareness of our customers for their protection needs, particularly under the context of rising demand for life and health coverage post-COVID-19 pandemic and we expect our historical trend of increasing protection mix to persist in the near term.

We face certain risks when introducing new business initiatives, including, initiatives implemented as part of our customer-led strategy. We may not be able to implement these initiatives consistently across our Business Units and, if implemented, they may not achieve customer acceptance. We may incur significant costs in connection with introducing new business initiatives, and we cannot assure you that we will be able to realise the intended benefits within the expected timeframes. In addition to significant costs incurred, insurance regulation could limit our ability to introduce new product offerings and require us to incur additional costs or devote additional resources. In addition, some of the new products we introduce into the market may carry additional underwriting risks. Any proposed new insurance products could take longer than anticipated to be approved by regulatory authorities, or may not be approved at all. If we fail to implement new business initiatives successfully, our business, financial condition and results of operations could be adversely affected.

Actual experience may differ from assumptions used in establishing reserves and in product pricing, which may adversely affect our business, financial condition and results of operations.

We establish balance sheet liabilities and set aside reserves to reflect future expected policyholder benefits and claims. We establish these reserves and prices of our products based on many assumptions and estimates, including mortality and morbidity rates, longevity, reinvestment rates, policyholder behaviour, expected premiums and investment returns, policy persistency, claims profile, benefits to be paid, expenses to be incurred, as well as macroeconomic factors such as interest rates and inflation.

Due to the nature of the underlying risks and uncertainty associated with the determination of the liabilities for unpaid benefits and claims, these amounts may vary from the estimated amounts. We cannot, however, determine with precision the amounts that we will need to pay for, or the timing of payment of, actual claims or whether the assets supporting the policy liabilities will grow to the level assumed prior to payment of claims.

In addition, we are exposed to the risk of higher than anticipated claims. Pandemics, such as the COVID-19 outbreak, have caused and may continue to cause increased claims under many of our policies, raising our resulting costs. This may cause or exacerbate any of the risks related to our estimates or assumptions. If significant deviations in actual experience from the assumptions occur, we may be forced to incur additional expenses in the form of claims and payments, to the extent the actual amounts exceed the estimated amounts, or we may be required to increase our reserves for future policy benefits, resulting in additional expenses in the period during which the reserves are established or re-estimated, which could materially and adversely affect our business, financial condition and results of operations.

The pricing of our products is also based in part upon expected persistency of these products, which is the probability that a policy or contract will remain in force from one period to the next. Persistency within our products may be significantly impacted by, among other things, conditions in the capital markets, the changing needs and claims profile of our policyholders, the manner in which a product is marketed or illustrated and competition, including the availability of new products and policyholder perception of us, which may be negatively impacted by adverse publicity. In addition, any repricing of our products may impact the perceived competitiveness and affordability of our products.

We have experienced consecutive negative persistency variances and consecutive positive mortality variances in recent periods, including in 2021 and the three months ended 31 March 2022. Significant deviations in actual experience from our pricing assumptions could have an adverse effect on the profitability of our products. For example, if policyholder elections differ from the assumptions we use in our pricing, our profitability may decline. Actual persistency that is lower than our persistency assumptions could have an adverse effect on profitability, especially in the early years of a policy, primarily because we would be required to accelerate the amortisation of expenses we defer in connection with the acquisition of the policy. Actual persistency that is higher than our persistency assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience is higher in these later years. If actual persistency is significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate.

We periodically update the assumptions and estimates used to calculate our reserves. A liability adequacy test is performed at least annually. If the net reserves initially established for future policy benefits prove to be insufficient, we must increase our net reserves, which may have a material adverse effect on our business, financial condition and results of operations.

Changes in regulations, solvency standards, capital requirements or other requirements or the impact of adverse market conditions could result in changes to our product offerings that could materially and adversely impact our business, results of operations or financial condition.

The insurance industry is highly regulated, and we are required to revise our product offerings and business practices from time to time due to changes in regulation. Our future success will depend on our ability to adapt to changing regulations (including the implementation of GWS and the RBC regime in Hong Kong) in a timely manner. For example, in Japan the COLI product offering was reduced in favour of new individual life insurance products as a result of changes in tax regulations in 2019. We cannot assure you that our efforts to introduce new product offerings or reposition our existing product offerings will be successful. Unsuccessful alterations in our product offering, or failure to adequately react to new regulations or trends in a timely manner, could have a material and adverse effect on our business, financial condition and results of operations.

In addition, more stringent solvency standards, capital requirements or regulatory restrictions on investment could limit the type of assets we can invest in, which may have an adverse impact on the performance of our investment portfolio and sales of our unit-linked products. For example, see Circular 5/2022 which has been issued in Indonesia under "*– We and our Business Units are subject to extensive regulation as insurance companies, including monitoring and inspection of our financial soundness, which may restrict our business activities and investments and increase our cost of complying with such regulations.*" Changing legal requirements, increased costs of hedging, other risk mitigation techniques, cost of financing and other adverse market conditions could also result in certain products becoming less profitable or unprofitable. These circumstances may cause us to modify or eliminate certain features of various products or cause us to suspend or cease the sales of some of our products in the future. Any modifications to products that we may make could result in these products being less attractive or competitive which could adversely impact our sales and profitability. We also cannot assure you that modifications to our products would result in these products being in compliance with any applicable solvency standards or capital requirements. Any of these events may materially and adversely impact our business, results of operations or financial condition.

The termination of, or any adverse changes to, or any failure to renew, our arrangements with our bancassurance partners may have a material adverse effect on our business, financial condition and results of operations.

In addition to our agency channel, we have distribution arrangements with banks in Southeast Asia and Hong Kong for sales of our bancassurance products through their respective networks. As of the Latest Practicable Date, we had 22 ongoing bancassurance partnerships, including nine exclusive bancassurance partnerships in Southeast Asia. For example, our exclusive bancassurance partnership with SCB is the largest contributor to our APE and VNB in Thailand.

While these arrangements typically have multi-year terms, there is a risk our bancassurance partnerships might terminate before their contractually agreed termination dates or might not be renewed. For example, we transferred by novation our exclusive distribution agreement with TMB in Thailand to Prudential Life Assurance (Thailand) Public Company Limited in 2020 prior to its stated termination date. In addition, from time to time, our bancassurance partners may attempt to renegotiate the commercial terms of the arrangements, may be unable to fulfil their obligations, may have disputes with us as to the scope or performance of our and/or their obligations, or may be dissatisfied with other terms and seek changes to, or early termination of, the arrangements. Changes to these arrangements could increase our costs in connection with the sale of our products and adversely affect the profitability of our products, or impact our ability to sell products through our bancassurance partners. In April 2022, our exclusive bancassurance partnership with An Binh Bank was terminated prior to its expiration date, which has not and is not expected to have a material adverse impact on our bancassurance channel and our ability to conduct business in Vietnam.

Additionally, some banks may consolidate, restructure, downsize their physical branch networks or change their business lines, and more non-traditional market participants, such as virtual banks and other financial technology companies, may enter the market. These developments could limit or constrain the ability of our partnering banks and us to sell insurance products through bank branches.

Regulatory changes with respect to the bancassurance business and distribution of bancassurance products through any of the banks' business lines, such as restrictions on banks to partner exclusively with one insurance company or changes in the sales practices of the bank branches, could also materially and adversely affect our relationships and arrangements with these banks or restrict our ability to further expand our bancassurance arrangements with such banks.

Most of our distribution arrangements with the banks are due to be renewed within a similar timeframe. If we are unable to renew our arrangements with a significant number of our partners or unable to find replacement partners, our business could be significantly impacted.

The termination of, disruption to, or any other adverse change to, our relationships with the banks with which we have distribution arrangements, any adverse change to these banks' businesses or the formation of any exclusive partnerships between these banks and any of our competitors could significantly reduce sales of our products and our growth opportunities. Our inability to address these risks or satisfactorily resolve any disputes or disagreements with our partners or other problems encountered in connection with our existing or future bancassurance arrangements could prevent us from fully realising the anticipated benefits of such partnerships or impede or delay our operations or growth in the affected markets. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

Consolidation of third-party distributors of insurance products may adversely affect the insurance industry and the profitability of our business.

The insurance industry distributes many of its products through other financial institutions such as banks, broker-dealers and ecosystem partnerships. An increase in the consolidation activity of such institutions and other financial services companies may create firms with even stronger competitive positions, negatively impact the industry's sales, increase competition for access to third-party distributors, result in greater distribution expenses and impair our ability to market certain of our products to our current customer base or expand our customer base. For instance, on 1 April 2020, we novated our exclusive distribution agreement with TMB, following its consolidation with a different bank. We cannot assure you that, in the event of another consolidation in relation to any of our exclusive distributors in the future, we will be able to successfully novate our distribution agreements or receive adequate or any consideration.

Consolidation of third-party distributors or other industry changes, such as increased competition from new market entrants or non-traditional or online competitors, may also increase the likelihood that third-party distributors will try to renegotiate the terms of any existing selling agreements to terms less favourable to us.

If our customers were to claim that the policies they purchased failed to provide adequate or appropriate coverage, we could face claims that could harm our reputation, business, results of operations and financial condition.

Although we aim to provide adequate and appropriate coverage under each of our policies, customers could purchase policies that prove to be inadequate or inappropriate. If such customers were to bring a claim or claims alleging that we failed in our responsibilities to provide them with the type or amount of coverage that they sought to purchase, we could be found liable, resulting in an adverse effect on our reputation, business, results of operations and financial condition.

Denial of claims or our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects.

We must accurately and timely evaluate and pay claims that are made under our policies. Many factors affect our ability to pay claims accurately and timely, including the efficacy of our AI claims processing, the training and experience of our employees and our ability to develop or select and implement appropriate procedures and systems to support our claims functions.

The increased adoption of automation and AI has led to higher customer expectations for experience and productivity. The speed and accuracy by which our AI technology allows us to process and pay claims is a differentiating factor for our business, and an increase in the average time to process claims or a decrease in the accuracy of claim processing could undermine our reputation and position in the insurance marketplace. Any failure to pay claims accurately or timely could also lead to regulatory and administrative actions or material litigation, or result in damage to our reputation, any one of which could materially and adversely affect our business, financial condition, results of operations, and prospects. Additionally, if our employees are unable to effectively process our volume of non-automated claims, our ability to grow our business while maintaining high levels of customer satisfaction could be compromised, which in turn, could adversely affect our operating margins.

We rely on third-party service providers in certain areas of our operations and therefore do not have full control over the services provided to us or our customers.

We rely on third parties for certain investment management, information technology and other services, including:

- managing certain assets in our investment portfolio;
- conducting information technology security assessments and developing certain digital tools;
- talent acquisition, employee training and development;
- conducting customer and brand surveys;
- providing payroll services; and
- handling claims for medical products.

In addition, we may from time to time use third-party service providers to provide us with corporate secretarial support, technical advice and systems support for regulatory compliance and screening, and specialist advisory support on mergers and acquisitions related due diligence from a governance and risk management perspective.

If any of these third parties fail to provide these services and we are unable to secure an adequate alternative in time, our business, financial condition and results of operations could be materially affected.

Agent, broker, employee, distribution partner or other parties' misconduct, underperformance or negative media coverage could harm our reputation or lead to regulatory sanctions or litigation against us.

Misconduct or underperformance on the part of, attrition in relation to, or negative media coverage about, any of our agents, associates, employees, distribution partners or other parties could result in violations of law, regulatory sanctions, litigation or serious reputational or financial harm. Such misconduct could include misrepresenting the features or limits of our products, recommending products not suitable for particular consumers, misappropriation of client funds and other fraudulent behaviour in violation of applicable laws and regulations.

We have limited control over our agents, associates, brokers, employees and distribution partners, but we may suffer negative consequences as a result of their actions. The measures that we take to detect and deter misconduct by our agents, associates, brokers, employees and distribution partners may not be effective in all circumstances. Past or future misconduct by our agents, associates, brokers, employees and distribution partners could result in investigations, violations of law, regulatory sanctions, and litigation. We may have to implement more extensive or different risk management policies and procedures due to legal and regulatory requirements as a result. Any such misconduct may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE INSURANCE INDUSTRY

IFRS 17 could have a material adverse effect on the reporting of our financial results.

The International Accounting Standards Board (the "**IASB**"), which develops IFRS, issued IFRS 17 in May 2017, which will replace the current IFRS 4. In June 2020, the IASB issued amendments to IFRS 17 and deferred the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023, with retrospective application and comparative figures required. IFRS 17 will significantly change the recognition and measurement of insurance contracts and the corresponding presentation and disclosure in our consolidated financial statements. See "*Financial Information – Critical Accounting Policies and Estimates – IFRS 17 Insurance Contracts*" for more information.

We are assessing the implications of IFRS 17 and are implementing a group-wide project to collect policy-level data, liabilities enhancing our actuarial models, developing a new sub-ledger to calculate the contractual service margin and enhancing our group ledger as well as consolidation system. We expect that IFRS 17 will have a significant impact on our consolidated financial statements and result in important changes to the accounting policies for our insurance contract liabilities. It is also likely to have a significant impact on our profit or loss, total equity, financial statement presentation and disclosures. For example, profit will be recognised differently and insurance revenue will no longer be measured by premium, but by provision of insurance services to policyholders throughout the term of the insurance contract. In addition, IFRS 17 introduces a new presentation format for the statement of comprehensive income and requires more extensive disclosure. These changes could have a material adverse effect on our financial performance and condition. The IASB may also make further amendments to IFRS 17 which could have a material adverse effect on our financial performance and condition. These changes may also adversely impact our credit rating and certain covenants in outstanding indebtedness.

The rate of growth of the insurance industry in Asia may not be as high or as sustainable as we anticipate.

We estimate the rate of growth of the insurance industry in Asia based on the number of underserved potential customers. The high number of underserved individuals in this region may not translate to high growth potential, or we may not succeed in capitalising on any such growth potential. In addition, certain of the regional markets in which we operate may already be or become saturated and experience low or no growth in the future. Demographic growth and other economic indicators, such as an increase in standards of living, which are usually the traditionally beneficial drivers of growth in these markets, may not be sustainable or continue developing as expected. The growth and development of the insurance industry in Asia is subject to a number of industry trends and uncertainties that are beyond our control.

The failure of other insurance companies could require our operating entities to increase their contributions to industry-wide policyholder protection funds and could undermine consumer confidence.

In Hong Kong, a policyholder protection fund has not yet been established, although the Financial Services and the Treasury Bureau of the Hong Kong government undertook a consultation in 2012 with regard to the establishment of such a proposed policyholders' protection fund. Establishing the Policy Holders' Protection Scheme continues to be a stated objective, and together with the HKIA, additional preparatory work is being undertaken, including conducting a consultancy study to update the key parameters of the scheme.

In Japan, FWD Life Japan, along with other life insurers, is required to support policyholders of failed life insurance companies through payments to the Life Insurance Policyholders Protection Corporation of Japan (the "**LIPPC**"). The LIPPC provides funds upon acceptance and assumption by a successor life insurance company of the insurance policies of a failed life insurance company and also performs certain other specified functions. The proportion of required contributions allocated to FWD Life Japan could increase if its income from insurance premiums and policy reserves increases relative to other life insurance companies in Japan. In the event of future failures of Japanese life insurance companies or if the legal requirements for contributing to the LIPPC change, FWD Life Japan may be required to make additional contributions to the LIPPC and its financial condition and results of operations could be adversely affected.

In Singapore, all direct insurers licensed by the Monetary Authority of Singapore ("**MAS**") to carry on life or general business, including FWD Singapore, are members of the Policy Owners' Protection ("**PPF**") Scheme and must make payments towards certain PPF Funds. In the event that a PPF Scheme member is wound up, insolvent, or otherwise fails, the MAS may decide to activate the PPF Fund to compensate policy owners, fund the transfer of the insurance company to another insurer, or to continue to provide coverage for affected policies until all policies have matured or expired. As the MAS determines the levy rates payable by PPF Scheme members every year, any change to how levy rates are calculated by MAS, whether not due to the potential future failures of other Singapore insurance companies, could adversely affect FWD Singapore's financial condition and results of its operations.

In Thailand, life insurance companies are required to contribute to a life insurance statutory fund intended to compensate policyholders in the event that an insurer is declared bankrupt or has its insurance license revoked. In principle, life insurance companies are required to contribute not more than 0.5% of insurance premiums received by the company during the past six months to the statutory fund and the contribution shall be in accordance with the rules announced by the Office of Insurance Commission of Thailand ("**OIC**"). According to the current rules announced by the OIC, life insurance companies are required to contribute to the statutory fund every six months.

Although Indonesia has not established a policyholder protection fund, the Non-bank Financial Institutions Supervisory Division of the Indonesian Financial Services Authority (the Otoritas Jasa Keuangan or "**OJK**") has produced a draft paper on the establishment of such a fund and is currently in discussion with the industry on this topic.

In the Philippines, all insurance companies must contribute an amount (calculated as a ratio of the company's net worth in proportion to the aggregate net worth of all insurance companies in the country) to the security fund which may be used to compensate policy owners in the event that an insurance company becomes insolvent.

Similarly, in Vietnam, insurance companies (except for reinsurance companies) must contribute not more than 0.3% of the total revenue from insurance premium of original insurance contracts in the previous fiscal year of an insurance company to the insurant protection fund, which is set up to protect the rights and interests of the insured in case an insurance company falls bankrupt or becomes insolvent. The contribution amount shall be announced by the Ministry of Finance before 30 April each year.

In Malaysia, all licensed takaful operators are members of the Malaysia Deposit Insurance Corporation ("**MDIC**") and must make annual levies (in the case of a family takaful operator such as FWD Takaful, calculated based on the actuarial valuation liabilities in respect of its business) from their shareholders' funds to the relevant fund maintained by MDIC. In the event of a takaful operator failure, MDIC will utilise the relevant fund to, among other things, make payments to the certificate owners of such takaful operator. In some of these markets, therefore, any widespread failure by insurance companies would increase the amount our businesses either must contribute to designated funds or the reserves they must establish and maintain, thus possibly affecting our results of operations and financial condition.

Other markets in which we operate, or may operate in the future, may introduce similar policyholder protection regimes in the future, and as such, our operating entities may be required to start contributing to, or may need to increase their contribution to such funds.

The failure of other life insurance companies could also damage the reputation of the life insurance industry and undermine consumer confidence in life insurers in general, which could lead to a decrease in the relevant Business Units' sales of new policies or an increase in lapses or surrenders of existing policies.

The adoption of OECD's Common Reporting Standard, as well as changes it has proposed on global corporate minimum tax, could have an impact on our businesses, including our reinsurance company, financial condition, results of operations and growth prospects.

The Organisation for Economic Co-operation and Development ("**OECD**") has adopted a common reporting standard ("**CRS**") and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. The CRS does not include a potential withholding element. Under the CRS, financial institutions (including certain specified insurance companies) are required to identify and report the tax residence status of customers in more than 110 countries that have endorsed the plans. It is expected that CRS will be adopted in Thailand by 2023. Financial institutions in Hong Kong, Macau, Japan, Indonesia, Singapore, Malaysia and the Cayman Islands have begun collecting tax residency information from their account holders as early as 1 January 2017 and have submitted information on reportable account holders for the applicable reporting years. The increased due diligence of customer information and the reporting of information to the tax authorities may increase operational and compliance costs for us, depending on its scope of application. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

In addition, as a company with international operations, we are subject to taxation in each of the markets in which we operate. Our future effective tax rates could be affected by numerous factors, including changes in applicable tax laws. Changes currently proposed by the OECD and its action plan on Base Erosion and Profit Shifting, including, without limitation, its proposal to introduce a global corporate minimum tax at 15% through changes in domestic tax rules and bilateral and multilateral agreements, may affect the tax expenses of our Business Units and our reinsurance strategy and could have a material impact on our financial condition and results of operations.

RISKS RELATING TO LEGAL AND REGULATORY MATTERS

We may face challenges in adapting to group-wide supervision under the GWS framework.

Until recently, we have been supervised by the HKIA through an indirect approach, including by way of written undertakings provided by our Group and our Controlling Shareholders. On 29 March 2021, the Insurance (Amendment) (No. 2) Ordinance 2020 (Ord. No. 18 of 2020) and the Insurance (Group Capital) Rules, which introduced the GWS framework, came into operation, enabling the HKIA to directly conduct group-wide regulation and supervision of insurance groups through the designation of a company within the relevant group as a "designated insurance holding company." The Hong Kong government also published subsidiary legislation relating to the GWS framework on 31 December 2020. The GWS framework provides, among other requirements, group-wide capital, risk management, governance and disclosure related requirements for insurance groups through the designated holding companies of such insurance groups.

In part because of the requirement for a designated insurance holding company to be incorporated in Hong Kong, the HKIA designated FWD Management Holdings as the designated insurance holding company of the Group on 14 May 2021, following which the Group became subject to additional capital, solvency, regulatory reporting, public disclosure and intervention measures under the GWS framework. This is the first time we have been subject to comprehensive regulation on a group-wide basis, and this requires a number of changes to our internal controls, risk management systems and reporting obligations. The GWS framework also impacts our businesses in jurisdictions other than Hong Kong, for example by impacting group-wide decisions and implementing group-wide requirements, which affects all our Business Units. For example, the HKIA has identified certain priority areas for us to address, including improvement in the profitability and sustainability of our existing Business Units, further integration across our Business Units and enhancement of our corporate structure. For further details on the GWS framework and group-wide regulation and supervision, see "*Regulatory Overview and Taxation – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Framework for group-wide supervision of certain insurance groups*".

Because the GWS framework is new and given the untested nature of the regime, interpretations of the applicable rules and guidelines may evolve over time. If we are unable to adapt to group-wide supervision under the GWS framework on a timely and cost-efficient basis or if our interpretations of the regulatory requirements differ in some aspects from the interpretations made by the HKIA, we could face penalties and public or private reprimand and our business, financial condition, capital position, results of operations and regulatory position could be materially and adversely affected.

Changes in tax regulations have had, and may continue to have, an adverse effect on the demand for our insurance products.

There are specific rules governing the taxation of policyholders and the tax treatment of insurance premiums paid by policyholders in each jurisdiction in which we operate. These rules affect the structuring of, and demand for, the insurance products that we offer in those jurisdictions. In addition, as we expand our business into new jurisdictions, we may be subject to new tax laws or additional tax liabilities. We are unable to predict accurately the impact of future changes in tax laws on the taxation of life insurance proceeds in the hands of beneficiaries and the tax treatment of insurance premiums paid by policyholders. Amendments to existing legislation, particularly if there is a withdrawal of any tax relief, or an increase in tax rates, or an introduction of new rules, may affect the purchase decisions of our potential customers and the investment decisions of our policyholders. The impact of such change on us would depend on the mix of business in force at the time of such change.

In particular, changes announced by the National Tax Agency of Japan in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) have had, and may continue to have, a significant impact on the sales of such products in Japan. Although we have taken a number of measures to mitigate the effects of these changes, such as shifting our focus to other product types, their near-term impact may be difficult to quantify, and we cannot assure you that such measures will be effective or sufficient in mitigating any adverse effects to our business, financial condition and results of operations.

The Indonesia Law No. 11 on Job Creation ("**Job Creation Law**"), which became effective in November 2020, changed the definition of non-taxable income, which may result in investment gains on unit-linked products being taxable for Indonesian citizens. Direct investments in mutual funds remain exempted from taxation. Therefore, customers may choose to invest directly into mutual funds rather than unit-linked products, which may have a material adverse effect on sales of our unit-linked investment products in Indonesia. The local life insurance association is lobbying with the Indonesian government to clarify the implementation of the new regulation. On 25 November 2021, the Indonesian Constitutional Court declared that the Indonesian Government must fix certain aspects within two years, failing which the Job Creation Law will be declared unconstitutional. The Indonesian Constitutional Court also prohibited the Indonesian Government from issuing further regulations implementing the Job Creation Law. There is no certainty as to aspects will be fixed and how the Job Creation Law will be altered in the future. We are closely monitoring these developments and will take appropriate measures to mitigate the effects on our business, but we cannot assure you that these measures will be effective.

We face the risk of litigation, regulatory investigations and other proceedings in relation to our business which may result in financial losses and reputational harm.

Legal or regulatory actions, inquiries or investigations, whether ongoing or yet to come, could harm our reputation, ability to attract or retain customers or employees, business, financial condition, or results of operations, even if we ultimately prevail. Litigation and regulatory investigations are increasingly common in our business as a result of increased regulatory and prudential oversight. Regulators or private parties may bring investigations, class actions or individual suits seeking large recoveries alleging wrongs relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, controls, compliance with laws and regulations, investments, denial or delay of benefits and breaches of fiduciary or other duties, among other things. For example, in Japan, local media have reported regulators questioning certain industry-wide sales practices relating to insurance products which previously had tax-savings effects which may or may not result in formal investigations or regulatory consequences against insurers in Japan (including FWD Japan). Also, in January 2019, FWD Insurance (Bermuda) was reprimanded by the SFC and fined HK$2.4 million for failures in complying with key personnel requirements under the MPF Code and Fund Manager Code of Conduct. We may be unable to anticipate the outcome of a litigation or investigation and the amount or range of loss because we do not know how adversaries, fact finders, courts, regulators, or others will evaluate evidence, the law, or accounting principles, and whether they will do so differently than we have. A substantial liability arising from a lawsuit judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, such proceedings could significantly harm our reputation, which could materially affect our business, financial condition and results of operations. See "– *Agent, broker, employee, distribution partner or other parties' misconduct, underperformance or negative media coverage could harm our reputation or lead to regulatory sanctions or litigation against us*."

We are subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional taxes, interest and penalties in amounts that may be material.

We are subject to income and other taxes in the jurisdictions in which we do business. In determining our provisions for income taxes and our accounting for tax related matters in general, we are required to exercise judgment. We regularly make estimates where the ultimate tax determination is uncertain. We cannot assure you that the final determination of any tax audit, appeal of the decision of a taxing authority, tax litigation or similar proceedings will not be materially different from that reflected in our financial statements. The assessment of additional taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

Our failure to comply with data privacy laws and regulations in our geographic markets could have a material adverse effect on our business, financial condition and results of operations.

We are subject to data privacy laws, rules and regulations that regulate the collection, use and storage of personal data. Protection of personal data has become increasingly important for regulators and lawmakers globally. A breach of data privacy laws, rules and regulations may result in significant reputational and regulatory sanctions, including substantial financial penalties. Compliance with these laws, rules and regulations may restrict our business activities and require us to incur increased costs and allocate considerable time to compliance efforts, such as implementing information technology systems and processes that comply with the relevant rules and regulations. Applicable data privacy laws, rules and regulations could also adversely affect our distribution channels, such as our neo-insurance channel, and limit our ability to share customer data with third parties or transfer customer data between our businesses in different jurisdictions.

Certain of these laws, rules and regulations in the markets in which we operate, as well as mainland China (where we have certain limited operations), are relatively new and evolving, and their interpretation and application remain uncertain. Data privacy laws, rules and regulations are also subject to change and may become more restrictive in the future. For instance, there have recently been several developments in the data privacy and protection laws and regulations in the PRC, including the Regulations for Cyber Data Security Management (Draft for Comments) ("**Draft Management Measures**") issued by the Cyberspace Administration of China ("**CAC**") in November 2021 (and closed for comment on 13 December 2021) and the Measures for Cybersecurity Review ("**Review Measures**") issued by the CAC in January 2022 (with effect from 15 February 2022) which have significantly expanded the cybersecurity review requirement under the cybersecurity laws of the PRC, including a requirement that certain operators (including both operators of critical information infrastructure and relevant parties who are engaged in data processing) file for cybersecurity review with the Cybersecurity Review Office of the PRC if purchasing of network products and services or carrying out data processing activities will or may affect national security. Specifically, the Review Measures require online platform operators (which term is yet to be specified) holding personal information of more than one million users and seeking a listing in a foreign country to file for cybersecurity review with the Cybersecurity

Review Office of the PRC, while the Draft Management Measures propose that parties which process data or seek a listing in Hong Kong that will in either case affect or may affect national security to make such filing. As the Draft Management Measures were released for public comment only, the enacted version of the Draft Measures and the anticipated adoption or effective date may be subject to substantial change. We cannot predict the relevant regulators' interpretation of the Review Measures and Draft Management Measures or their respective impact, if any, at this stage, including on our business, financial condition or results of operations, or the [**REDACTED**], and we will closely monitor and assess any development in the rule-making process. If the enacted version of the Draft Management Measures mandates the clearance of a cybersecurity review or other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. In addition, the newly released PRC Data Security Law, which was promulgated in June 2021 and took effect on 1 September 2021, imposes data security and privacy obligations on entities and individuals carrying out data activities (including activities outside of mainland China), requires a national security review of data activities that may affect national security, and imposes export restrictions on certain data and information.

Other than the maintenance of a representative office and the provision of shared services to the Group through two subsidiaries incorporated under the laws of the PRC, we currently do not have operations in mainland China. As of the date of this document, we had fewer than 100,000 MCV customers and did not have a large amount of MCV personal information in our business operations. In addition, no information belonging to our customers is collected, hosted or managed in mainland China and we have policies and systems in place to manage the risk of information belonging to our customers being collected, hosted or managed in mainland China. As such, we do not currently expect the Outbound Data Transfer Security Assessment Measures, which were issued by the CAC on 7 July 2022 (with effect from 1 September 2022) to regulate the transfer of data from the PRC to other jurisdictions (including Hong Kong), or that the proposed supplements to the cybersecurity laws of the PRC or the PRC Data Security Law will have an impact on our business, financial condition or results of operations or the [**REDACTED**]. To the extent that they apply to our limited presence in mainland China, we believe we are in compliance with the data privacy and protection regulations and policies issued by the relevant PRC regulatory authorities to date. However, as uncertainties remain regarding the interpretation and implementation of these laws and regulations and the Draft Management Measures are subject to substantial change, there can be no assurance that this will continue to be the case. In addition, to the extent we develop or acquire operations in mainland China, such laws could also apply to us.

Furthermore, new laws could be introduced in the future that could also apply to our business, whether or not we have operations in mainland China. For example, the PRC Personal Information Protection Law, which was promulgated on 20 August 2021 and took effect on 1 November 2021, also has extraterritorial effect in certain circumstances. It shall apply to the processing of personal information of natural persons within the territory of the PRC that is carried out outside of mainland China where (1) such processing is for the purpose of providing products or services for natural persons within mainland China, (2) such processing is to analyse or evaluate the behaviour of natural persons within mainland China or (3) there are any other circumstances stipulated by laws and administrative regulations. As uncertainties remain regarding the interpretation and implementation of the extraterritorial effect of the PRC Personal Information Protection Law and whether it applies to us, if the PRC Personal Information Protection Law becomes applicable to us outside of mainland China, we may incur substantial operational costs or modify our data collecting and processing practices. Similarly, the CAC issued the Personal Information Export Standard Contract ("**Standard Contract**"), together with the Standard Contract Provisions ("**Provisions**"), on 30 June 2022 for public comment (to close on 29 July 2022) which could (although subject to change before the Standard Contract and the Provisions are finalised) impact the internal assessment and other compliance obligations in relation to both the transfer personal data from mainland China and receipt of that data as an overseas recipient, in each case subject to the supervision of the PRC regulatory authorities. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, which would subject us to significant fines, penalties, judgments and negative publicity, which may have a material adverse effect on our business, operations and financial condition.

In addition, while we have policies and systems in place to manage the risk of data privacy, data privacy breaches may still occur. We had certain incidents of inadvertent data leakage and security breaches during the Track Record Period, involving either employee or customer information. We took remedial actions promptly and notified the relevant regulatory authorities, and we were not subject to any fines or penalties by the relevant regulatory authorities. Although we have strengthened our policies and systems to better detect and manage the risk of data privacy breaches, we cannot assure you that these breaches will not happen in the future, which breaches could have a material adverse effect on our business, financial condition and results of operations. See "*– We may be unable to prevent or address the misappropriation of our data.*"

Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorised release or transfer of sensitive information, which could include personal information or other user data, may result in governmental or regulatory investigations, enforcement actions, regulatory fines and other penalties, compliance orders, litigation or public statements against us by consumer advocacy groups or others, and could cause customers to lose trust in us, all of which could be costly and have an adverse effect on our business. In addition, new and changed rules and regulations regarding privacy, data protection (in particular those that impact the use of AI) and cross-border transfers of customer information could cause us to delay or change planned uses and disclosures of data to comply with applicable privacy and data protection requirements. Moreover, if third parties that we work with violate applicable laws or our policies, such violations also may put personal information at risk, which may result in increased regulatory scrutiny and penalties and have a material adverse effect on our reputation, business and operating results.

Evolving legislation related to genetic testing could adversely impact our underwriting abilities.

Current or future legislation in jurisdictions where we operate may restrict our right to underwrite based on access to genetic test results. Without the obligation of disclosure, the asymmetry of information shared between applicant and insurer could increase anti-selection in both new business and in-force policyholder behaviour. The impact of restricting insurers' access to this information and the associated problems of anti-selection becomes more acute where genetic technology leads to advancements in diagnosis of life threatening conditions that are not matched by improvements in treatment. We cannot predict the potential financial impact that this would have on us or the industry as a whole. In addition, there may be further unforeseen implications as genetic testing continues to evolve and becomes more established in mainstream medical practice.

You may face difficulties in protecting your interests because our Company is incorporated under the laws of the Cayman Islands, which may offer less protection to minority shareholders than the laws of Hong Kong and some other jurisdictions.

Our corporate affairs are governed by the terms of the Memorandum of Association and the Articles of Association as well as the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and some other jurisdictions. See "*Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law*". Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong and some other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 724 of the Companies Ordinance, which provides remedies for shareholders whose interests are being or have been unfairly prejudiced by the conduct of the company's affairs.

RISKS RELATING TO OUR TECHNOLOGY

Cyber-attacks or other security breaches of our computer systems or computer systems maintained by others could disrupt our business, cause financial losses, damage our reputation, lead to regulatory sanctions and legal claims or a loss of customers and revenue.

Use of technology to offer insurance products involves the storage and transmission of information, including personal information, in relation to our employees, contractors, business partners and current, past or potential customers. Security breaches may result from actions of hackers, vendors, third-party administrators or insiders as well as from cyber-attacks perpetrated by organised crime groups, "hacktivists," or state-sponsored groups. Cyber-attacks may range from sophisticated social engineering to extortion or threats, including ransomware attacks, which can lead to access, disclosure, disruption, or ransom demands or further attacks. These cyber-attacks or security breaches could expose confidential information, which could result in potential regulatory investigations, fines, penalties, compliance orders, liability, litigation and remediation costs, as well as reputational harm, any of which could materially adversely affect our business and financial results. For example, unauthorised parties could steal or access our users' names, email addresses, physical addresses, phone numbers and other information that we collect when providing insurance quotes, and credit card or other payment information if a customer agrees to purchase insurance coverage from us. Further, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our information or customers' information. Policies and procedures are in place to prevent and detect fraud incidents; however, our existing system of internal controls may not be able to mitigate all possible incidents. The risk of a breach can exist whether software services are in our data centres or we use cloud-based software services. Any of these incidents, or any other types of security or privacy related incidents, could result in an investigation by a competent regulator, resulting in a fine or penalty, or an order to implement specific compliance measures. It could also trigger claims by affected third parties, which could adversely impact our business, results of operations, financial condition, and reputation.

We maintain confidential and proprietary information on our computer systems and rely on sophisticated technologies to maintain the security of that information. Our computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorised access, cyber-attacks or other computer-related penetrations. While, to date, we have not experienced a material breach of cyber security, administrative and technical controls and other preventative actions we take to reduce the risk of cyber-incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems. Any such breaches could cause significant interruptions in our operations, and the failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers, employees and distribution partners, could harm our reputation, subject us to regulatory sanctions, significant monetary fines and legal claims, lead to a loss of customers and revenue and otherwise materially adversely affect our business, financial condition or results of operations.

Our business could also be harmed indirectly by cyber-attacks or security breaches to computer and IT systems maintained by others, including our associate companies, business partners and our service providers. For example, BRI Life, in which we currently own an equity interest of 35.1%, announced that it was investigating an alleged cybersecurity breach resulting in the leak of the data of certain customers. FWD's infrastructure is separate from that of BRI Life's and has no direct linkage to BRI Life's systems. However, while this incident has not had, and we do not believe will have, any material impact on our business, we cannot assure you that this incident or any future cyber-attacks or security breaches to computer and IT systems maintained by others will not have a material adverse effect on our business, financial condition or results of operations.

Our investment in digitalisation and neo-insurance may not achieve the intended result.

As a customer-led insurer, we have made and continue to make significant investments in digital initiatives, applications and tools to enhance customer experience, including neo-insurance. A key element of our customer retention and acquisition strategy is using digitalisation to make it easier for customers to stay engaged with our insurance ecosystem. We also intend to continue to invest in digitalisation, including neo-insurance, and launch more initiatives, technology-enabled products and services across the jurisdictions in which we operate. See "*Business – Distribution – Other Channels – Neo-Insurance Channel*" and "*Business – Optimise Customer Experience and Boost Operating Leverage through Continued Investment in Digitalisation*" for further details.

We cannot assure you that our digital initiatives will continue to appeal to our existing or potential customers. Consumer trends and demands are subject to change, and we will need to respond to rapid technological developments in time to effectively serve our digitally native customers. Any failure of these digital applications and tools to operate as intended may cause customer dissatisfaction. In addition, as we develop new digital tools and implement new technologies, we will need to update our governance and risk management frameworks to manage the relevant risks, such as the risks of data breaches and system failures. If we fail to update our governance frameworks on a timely basis, we could be exposed to risks associated with these digital systems. Any of these factors may have an adverse effect on our business, financial condition and results of operations.

We rely on AI and our digital platform to collect data points that we evaluate in pricing and underwriting our insurance policies, managing claims and customer support, and improving business processes, and any legal or regulatory requirements that restrict our ability to collect this data could thus materially and adversely affect our business, financial condition, results of operations and prospects.

We use AI and our digital platform to gain insight into our customers' experience and support various aspects of our business operations. Our proprietary Data Lake is a centralised data repository that collects data from multiple sources, which is stored and managed in a centralised system. It processes and analyses data based on our proprietary AI and machine learning algorithms, providing us with quick access to time-sensitive data to gain customer insights, design and deploy new products and services, and launch automated and targeted marketing campaigns, thereby allowing us to meet the evolving customer needs in a timely manner. Our Data Lake currently covers all of our markets except Cambodia as of March 2022.

If any of the regulators in the markets we operate in were to determine that the type of data we collect, the process we use for collecting this data or how we use it, unfairly discriminates against some groups of people, existing laws and regulations could be interpreted or implemented to prohibit or restrict our collection or use of this data. A determination by regulators that the data points we collect and the process we use for collecting this data unfairly discriminates against some groups of people could also subject us to fines and other sanctions, including, but not limited to, disciplinary action, revocation and suspension of licenses, and withdrawal of our products. Any such event could, in turn, materially and adversely affect our business, financial condition, results of operations and prospects, and make it harder for us to be profitable over time. Although we have implemented policies and procedures into our business operations that we feel are appropriately calibrated to our AI and automation-driven operations, these policies and procedures may prove inadequate to manage our use of this nascent technology, resulting in a greater likelihood of inadvertent legal or compliance failures.

We depend on search engines, social media platforms, digital app stores, content-based online advertising and other online sources to attract consumers to our websites and our online applications, which may be affected by third-party interference beyond our control and as we grow our customer acquisition costs will continue to rise.

Our future growth depends on our ability to attract consumers to our websites and our online applications and convert them into customers in a cost-effective manner. We depend, in large part, on search engines, social media platforms, digital app stores, content-based online advertising and other online sources for traffic to our websites and our online applications.

With respect to search engines, we are included in search results as a result of both paid search listings, where we purchase specific search terms that result in the inclusion of our advertisement, and free search listings, which depend on algorithms used by search engines. For paid search listings, if one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, we could lose consumers and traffic to our websites could decrease, and we may incur additional costs in seeking alternative search engines or online sources, any of which could have a material adverse effect on our business, results of operations and financial condition. For free search listings, if search engines on which we rely for algorithmic listings modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites.

Our ability to maintain and increase the number of consumers directed to our products from digital platforms is not within our control. Search engines, social media platforms and other online sources often revise their algorithms and introduce new advertising products. If one or more of the search engines or other online sources on which we rely for traffic to our websites and our online applications were to modify its general methodology for how it displays our advertisements or keyword search results, resulting in fewer consumers clicking through to our websites and our online applications, our business and operating results are likely to suffer. In addition, if our online display advertisements are no longer effective or are not able to reach certain consumers due to consumers' use of ad-blocking software, our business and operating results could suffer.

The marketing of our insurance products depends on our ability to cultivate and maintain cost-effective and otherwise satisfactory relationships with digital app stores, in particular, those operated by Google and Apple. As we grow, we may struggle to maintain cost-effective marketing strategies, and our customer acquisition costs could rise substantially. Furthermore, because many of our customers access our insurance products through online applications, we depend on the Apple App Store and the Google Play Store to distribute our online applications. Both Apple and Google have broad discretion to change their respective terms and conditions applicable to the distribution of our online applications, including those relating to the amount of (and requirement to pay) certain fees associated with purchases facilitated by Apple and Google through our online applications, to interpret their respective terms and conditions in ways that may limit, eliminate or otherwise interfere with our ability to distribute our online applications through their stores, the features we provide and the manner in which we market in-app products. We cannot assure you that Apple or Google will not limit, eliminate or otherwise interfere with the distribution of our online applications, the features we provide and the manner in which we market our online applications. To the extent either or both of them do so, our business, results of operations and financial condition could be adversely affected.

Our proprietary AI models may not operate properly or as we expect them to, which could cause us to write policies we should not write, price those policies inappropriately or overpay claims that are made by our customers. Moreover, our proprietary AI models may lead to unintentional bias and discrimination.

We have built our entire digital architecture with the single purpose of maximising the use of data analytics and technology to optimise customer experience, empower distribution and inform our business decisions. We have developed 103 proprietary data applications which leverage our Data Lake and proprietary AI models. As of 31 March 2022, over 40% of the headcount at our Group Office was comprised of technology employees, many of whom have extensive prior work experience with global leading technology and fintech companies. Our proprietary Data Lake is the central and foundational infrastructure that has been launched in five markets and is in the process of being rolled out across our other markets. Its cloud-based platform provides end-to-end visibility and control of the collection, collation and usage of data across applications, allowing real-time analysis to improve customer understanding, enable data analytics and increase operational efficiencies. Built on our Data Lake is a series of systems and automated digital toolkits to facilitate prospecting, purchasing, underwriting, claims and servicing for customers, distributors and internal management.

The continuous development, maintenance and operation of our deep-learning data analytics engine is complex and may involve unforeseen difficulties including material performance problems, undetected defects or errors, for example, with new capabilities incorporating AI. We may encounter technical obstacles, and it is possible that we will discover additional problems that prevent our proprietary algorithms from operating properly. If our data analytics do not function reliably, we may incorrectly price insurance products for our customers or incorrectly pay or deny claims made by our customers. Either of these situations could result in customer dissatisfaction with us, which could cause customers to cancel their insurance policies with us, discourage prospective customers from obtaining new insurance policies, or cause us to under-price policies or overpay claims. Additionally, our proprietary AI models may lead to unintentional bias and discrimination in the underwriting process, which could subject us to legal or regulatory liability. Any of these eventualities could result in a material and adverse effect on our business, results of operations and financial condition.

Interruptions or delays in our information technology systems or in the services provided by our third-party data centres or our internet service providers could impair the operability of our online applications and other digital services, which may materially and adversely affect our operations.

Our business is reliant on the ability of our information technology systems to process a large number of transactions and data on a timely basis for our management to make informed decisions. We rely on the internet and, accordingly, depend on the continuous, reliable and secure operation of internet servers, related hardware and software, as well as network infrastructure. Further, because of the long-term nature of much of our business, accurate records must be maintained for significant periods of time. The proper functioning of our financial controls, accounting, customer databases, customer service and other data processing systems, including those relating to underwriting and claims processing functions, is critical to our operations and to our ability to compete effectively.

Certain of our critical data and IT systems, including our proprietary Data Lake, a centralised data repository, are located on cloud platforms. Failure of these cloud platforms may render us unable to use our data and certain IT systems. Although we have in place disaster recovery and business continuity plans and maintain disaster recovery facilities designed to be activated in place of our primary facilities in the event of failure, the data centres that we use are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, floods, fires, severe storms, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, many of which are beyond our control, any of which could disrupt our services, prevent customers from accessing our products, destroy customer data, or prevent us from being able to continuously back up and record data. In the event of significant physical damage to one of these data centres, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities.

Further, a prolonged service disruption affecting our online applications and other digital services for any of the foregoing reasons could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the cloud services we use. Damage or interruptions to these data centres could harm our business. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact the use of our online applications and other digital services.

Additionally, as we continue to expand the number of customers to whom we provide our products and services, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of our data centres or third-party internet or technology service providers to meet our capacity requirements could result in interruptions or delays in access to our online applications and other digital services or impede our ability to scale our operations. In the event that our service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our online applications and other digital services as well as incur delays and additional expense and management time devoted to arranging new facilities and services, which could harm our business and have a material adverse impact on our financial condition and results of operations.

We may be unable to prevent or address the misappropriation of our data.

From time to time, third parties may misappropriate our data through website scraping, bots or other means and aggregate this data on their websites with data from other companies. In addition, copycat websites or online applications may misappropriate data and attempt to imitate our brand or the functionality of our websites or our online applications. If we become aware of such websites or online applications, we will employ technological or legal measures to halt their operations. However, we may be unable to detect all such websites or online applications in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, due to the applicable laws in the jurisdictions in which we operate, the remedies available to us may not be adequate to protect us against the effect of the operation of such websites or online applications. Regardless of whether we can successfully enforce our rights against the operators of these websites or online applications, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed.

System errors may affect the calculation of unit prices or deduction of charges for investment linked products which may require us to compensate customers retrospectively.

A material portion of our product sales are investment linked contracts, where product benefits are linked to the prices of the underlying unit funds. While comprehensive controls are in place, there is a risk of error in the calculation of the prices of these funds or the use of the prices of these funds for other policyholder value calculations due to human error in data entry, IT-related issues or other causes. Additionally, it is possible that policy charges which are deducted from these contracts are taken incorrectly or the methodology is subsequently challenged by policyholders or regulators and changed retrospectively. Any of these can give rise to compensation payments to customers. Controls are in place to mitigate these risks, but errors could give rise to future liabilities. Payments due to errors or compensation may negatively affect our profitability or financial condition.

RISKS RELATING TO OUR CONTROLLING SHAREHOLDER AND CERTAIN OTHER SHAREHOLDERS

Our Controlling Shareholders and certain other shareholders are currently involved in some aspects of our business, including investment management, telecommunication services and reinsurance, and we may be subject to risks associated with such transactions.

PineBridge, a company ultimately majority owned and controlled by Mr. Li, one of our Controlling Shareholders (with minority interests owned by directors, management and consultants of PineBridge), manages certain investment grade bonds and alternative investments for our investment portfolios. Mr. Li also has interests in PCCW and HKT, companies listed on the HKEX, which provide telecommunication and insurance related services to us. Mr. Li is the chairman and an executive director of PCCW and, as at the Latest Practicable Date, is deemed to be interested (as such term is defined under the SFO) in approximately 30.93% of the equity interest in PCCW. PCCW is the parent of the HKT Group. Mr. Li is the chairman and an executive director of HKT and HKT Management Limited (the trustee-manager of the HKT Trust), and, as at the Latest Practicable Date, is deemed to be interested (as such term is defined under the SFO) in approximately 2.97% of the total number of share stapled units in issue of HKT Trust and HKT. In addition, we provide certain services, including consulting and advisory support services, to and receive certain insurance services from, bolttech Holdings, a company indirectly majority controlled by Mr. Li, one of our Controlling Shareholders.

Swiss Re, the intermediate parent company of Swiss Re PICA, one of our shareholders, operates a reinsurance business and provides reinsurance services to us and we in turn receive reinsurance commissions from Swiss Re. Swiss Re PICA has the right to nominate two individuals to our board immediately prior to [**REDACTED**]. For further details, see "*History, Reorganisation and Corporate Structure – Reorganisation.*"

Athene, one of our [**REDACTED**] Investors, is a leading retirement services company. Together with Apollo, the affiliate of Athene and a leading global investment manager, we and Athene have agreed to a strategic collaboration in asset management, product distribution and reinsurance. Pursuant to certain investment management agreements, one or more Apollo affiliates will manage part of our Company's investment portfolio, across multi-credit and alternative asset classes. For further details, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments*" and "*Business – Investments and Asset Management – Outsourced Investment Managers.*"

These relationships between our related parties and us could create, or appear to create, conflicts of interest. If any conflict of interest arises between our connected persons and us, we cannot assure you that we will be able to resolve these conflicts on terms favourable to us given our Controlling Shareholders' and such related parties' respective ownership interests in us. If we fail to adequately address these conflicts of interests in our favour, we may be subject to regulatory scrutiny, which may adversely affect our business, financial condition and results of operations.

The interests of our Controlling Shareholders may not align with the interests of our Shareholders as a whole.

Our Controlling Shareholders, through their voting power at our general meetings, have significant influence over our business and affairs, including decisions in respect of mergers or other strategic transactions, acquisition of assets, [**REDACTED**] of additional Shares or other equity or debt securities, timing and amount of dividend payments and amendments to our articles of association. Our Controlling Shareholders are not required to and may not act in the best interests of our minority Shareholders. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us and/or the Shareholders as a whole. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive the Shareholders of an opportunity to receive a [**REDACTED**] for the Shares as part of a sale of our Company and may significantly reduce the [**REDACTED**] and [**REDACTED**] of the Shares.

Negative news or publicity about our Controlling Shareholders may adversely affect our reputation, business and results of operations.

If any of our Controlling Shareholders or his/its affiliates are subject to negative publicity, and the negative publicity, even if untrue, causes our customers to lose confidence in our Controlling Shareholders, us or the FWD brand, it could have a material adverse effect on our brand image, reputation, business, results of operations and financial condition.

If our Controlling Shareholders sell all or a substantial portion of his/its ownership in us, our business, financial condition and results of operations could be adversely affected.

The Shares held by our Controlling Shareholders will be subject to certain lock-up undertakings after the [**REDACTED**]. Nevertheless, we cannot assure you that our Controlling Shareholders will not dispose of the shares they may own following the expiration of such lock-up period. If our Controlling Shareholders cease to maintain a controlling stake in us or otherwise change important elements of his strategic relationships with us, we may lose the advantages associated with these strategic relationships, which could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the shares.

In addition, because we operate regulated businesses (under applicable insurance and financial services rules and regulations), any shareholder whose shareholding meets or exceeds certain thresholds (as specified under applicable rules and regulations) may need to be pre-approved by, or pre-notified to, regulators. Any failure to comply with such pre-approval or pre-notification requirements may affect our ability to continue to hold applicable licenses, which in turn could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

Because we do not expect to pay cash dividends in the foreseeable future after the [REDACTED], you may not receive any return on [REDACTED] unless you [REDACTED] for a [REDACTED] greater than that which you paid for them.

Dividend payments are not guaranteed, and the Board of Directors may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than those anticipated by investors, the [**REDACTED**] of the Shares may be negatively affected and the value of any investment in the Shares may be reduced. Any payment of dividends may adversely affect our ability to fund capital expenditures. As a result, we may be required to raise capital by issuing equity securities, subordinated debt or other capital instruments, which may not be possible on favourable terms or at all.

Accordingly, the return on [**REDACTED**] in the Shares will likely depend entirely upon any future [**REDACTED**] appreciation of the Shares. There is no guarantee that the Shares will appreciate in value after the [**REDACTED**] or even maintain the [**REDACTED**]. You may not realise a return on your [**REDACTED**] in the Shares and you may even lose [**REDACTED**] in the Shares.

The [REDACTED] of the Shares may experience volatility, which could result in substantial losses to [REDACTED].

The [**REDACTED**] of the Shares may experience volatility and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors. The following factors, in addition to other factors described in this "*Risk Factors*" section and included elsewhere and incorporated by reference in this document, may have a significant impact on the [**REDACTED**] of the Shares:

- our operating and financial performance, quarterly or annual earnings relative to similar companies;
- publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- the public's reaction to our press releases, our other public announcements and [**REDACTED**];
- announcements by us or our competitors of acquisitions, business plans or commercial relationships;
- any major change in our Board of Directors or senior management;

- sales of our equity securities by us, our directors, executive officers or our Controlling Shareholders;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in the Shares;
- exposure to capital market risks related to changes in interest rates, realised investment losses, credit spreads, equity prices, foreign exchange rates and performance of insurance-linked investments;
- our creditworthiness, financial condition, performance, and prospects;
- our dividend policy and whether dividends on our ordinary shares have been, and are likely to be, declared and paid from time to time;
- perceptions of the investment opportunity associated with our common stock relative to other investment alternatives;
- regulatory or legal developments;
- changes in general market, economic, and political conditions;
- conditions or trends in our industry, geographies or customers;
- changes in accounting standards, policies, guidance, interpretations or principles; and
- threatened or actual litigation or government investigations.

Any of these factors may result in large and sudden changes in [**REDACTED**].

Grants of share-based awards under our Equity Incentive Plans could result in dilution to our shareholders' equity ownership interest and an increase in share-based compensation expense.

FL and FGL adopted the Share Option and RSU Plan on 28 November 2017 for the purpose of granting share-based awards to eligible persons including directors, employees and consultants to incentivise their performance and align their interests with ours.

As of the Latest Practicable Date, share-based awards (in the form of RSUs and options) in respect of up to approximately [1,249,816] shares of FL and FGL were outstanding. Further, additional share-based awards may be granted by FL and FGL prior to the [**REDACTED**]. To the extent any of these awards are outstanding as at the date of the [**REDACTED**] and will vest and/or are exercised after the [**REDACTED**], such awards will be satisfied with Shares. No further grants of share-based awards will be made by FL and FGL under the Share Option and RSU Plan after [**REDACTED**].

The Board adopted the Share Award Plan and the Employee Share Purchase Plan on 30 January 2022 (and amended by the Board on [·]) to provide our Company with flexibility to incentivise and retain talent. [[**REDACTED**] share-based awards have not been granted under the Employee Share Purchase Plan.]

The outstanding [**REDACTED**] awards represent up to, in aggregate, approximately [**REDACTED**] Shares[(1)] and [**REDACTED**]% of our issued share capital immediately following the completion of the [**REDACTED**].

The total fair value of share-based awards granted by the Group amounted to US$44 million, US$34 million and US$52 million during 2019, 2020 and 2021, respectively, and nil in each of the three months ended 31 March 2021 and 2022, respectively. Such grants will continue to be recorded as an expense over the respective vesting periods. See "*Financial Information – Critical Accounting Policies and Estimates – Share-Based Compensation and Valuation of Share Awards including Options.*" Any additional grants of share-based awards by our Company will further increase our share-based compensation expense.

In addition, Shares issued in connection with share-based awards will increase the number of Shares in issue and will result in a dilution of Shareholders' equity ownership interest in our Company. Any actual or perceived sales of Shares by grantees of the share-based awards following their vesting and/or exercise may adversely affect the [**REDACTED**] of the Shares. For details, please refer to "*Appendix V – Statutory and General Information – D. Employee Incentive Plans*" to this document.

(1) The maximum number of Shares disclosed here (and the percentage of our issued share capital) underlying the [**REDACTED**] Awards immediately following the completion of the [**REDACTED**], is calculated based on the [**REDACTED**] to show the maximum dilution impact. The final maximum number of Shares to be allotted and issued and/or transferred upon the vesting and/or exercise of the [**REDACTED**] Awards after the [**REDACTED**] will be disclosed in [**REDACTED**].

Substantial future [REDACTED] or perceived potential [REDACTED] of the [REDACTED] could cause the [REDACTED] of the Shares to [REDACTED].

[**REDACTED**] of substantial amounts of Shares [**REDACTED**] after the completion of the [**REDACTED**], or the perception that these [**REDACTED**] could occur, could adversely affect [**REDACTED**] of our Shares. Although our Controlling Shareholders and certain of our [**REDACTED**] Investors are subject to restrictions on their sales of Shares after [**REDACTED**] (see the "[**REDACTED**]" and "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company* – [**REDACTED**] *Investments*" sections), future [**REDACTED**] of a significant number of our Shares by our Controlling Shareholders or [**REDACTED**] Investors [**REDACTED**] after the [**REDACTED**], or the perception that these [**REDACTED**] could occur, could cause the [**REDACTED**] of our Shares to decline and could materially impair our future ability to raise capital through [**REDACTED**] of our Shares. We cannot assure you that our Controlling Shareholders and our [**REDACTED**] Investors will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to [**REDACTED**] and issue Shares granted to our Directors, see "*Appendix V – Statutory and General Information*" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future [**REDACTED**] of Shares by our Controlling Shareholders and our [**REDACTED**] Investors, or the availability of Shares for [**REDACTED**] by our Controlling Shareholders and our [**REDACTED**] Investors, or the [**REDACTED**] of Shares by our Company may have on the [**REDACTED**] of the Shares. [**REDACTED**] or [**REDACTED**] of a substantial amount of Shares by our Controlling Shareholders, our [**REDACTED**] Investors or us, or the market perception that such [**REDACTED**] may occur, could materially and adversely affect the [**REDACTED**] of the Shares.

GENERAL RISK FACTORS

Certain facts and other statistics in this document with respect to the economies of the markets in which we operate and the insurance industry and market are derived from various official or third party sources and may not be accurate, reliable, complete or up to date.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics contained in this document that are obtained from various publicly available government and official sources and other independent third-party sources and publications. Certain facts, forecasts and other statistics relating to the insurance industry contained in this document, particularly in "*Industry Overview*" have been derived from various public data sources and other independent third party sources, as well as an industry report of NMG which we commissioned. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, information from publicly available government and official sources and other independent third-party sources and publications has not been independently verified by us, the Controlling Shareholders, the [**REDACTED**] or any of our, the Controlling Shareholders' or the [**REDACTED**], directors, officers, representatives or any other person involved in the [**REDACTED**]. Furthermore, any facts, forecasts, and other statistics from such sources may not be prepared on a comparable basis or may not be consistent with other sources. In addition, certain facts, forecasts and other statistics have been taken from publicly available government and official sources sources or statements. Neither we nor the Controlling Shareholders nor the [**REDACTED**] nor any of our, the Controlling Shareholders' or the [**REDACTED**], directors, officers or representatives nor any other person involved in the [**REDACTED**], are responsible for the accuracy, reliability or completeness of the information from such publicly available government and official sources . For these reasons, you should not place undue reliance on such information as a basis for making your [**REDACTED**] in the Shares. You should carefully consider the importance placed on such information or statistics.

The members of the Board are as follows:

Name	Address	Nationality
Executive Directors		
HUYNH Thanh Phong (alias 黃清風)	19 Cove Grove Singapore 098214	Canadian
LI Tzar Kai, Richard (李澤楷)	House 1 28 Gough Hill Road Hong Kong	Canadian
Non-executive Directors		
Ronald Joseph ARCULLI (夏佳理)	26G Shouson Hill Road Shouson Hill Hong Kong	Chinese
Guido FÜRER	Haldenstrasse 16 8716 Schmerikon Switzerland	Swiss
Walter KIELHOLZ	Pilatusstrasse 18/U1-2 8032 Zurich Switzerland	Swiss
Independent Non-executive Directors		
MA Si-Hang, Frederick (馬時亨)	Flat B, 25/F The Albany 1 Albany Road Hong Kong	Chinese
Yijia TIONG (張怡嘉)	Flat 1, G/F, Block A 12 Shouson Hill Road West Shouson Hill Hong Kong	Singaporean
CHUNG Kit Hung, Martina (鍾傑鴻)	F11, Moon Fair Mansion 11 Shiu Fai Terrace Wanchai, Hong Kong	Canadian

Dirk SLUIMERS	Vleysmanlaan 12 2242 PN Wassenaar Netherlands	Dutch
John BAIRD	103 Bedford Road Toronto, Ontario Canada M5R 2K4	Canadian
Kyoko HATTORI	Hiroo 4-1-5-405 Shibuya-ku Tokyo, Japan	Japanese

See "*Directors and Senior Management*" for further details.

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road, Central Hong Kong
	J.P. Morgan Securities (Far East) Limited 28/F, Chater House 8 Connaught Road Central Hong Kong

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

Financial Adviser to our Company	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong
Legal Advisers to our Company	*As to Hong Kong laws:* **Linklaters** 11/F, Alexandra House Chater Road Hong Kong *As to Hong Kong and U.S. laws:* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to Cayman Islands laws:* **Walkers (Hong Kong)** 15/F, Alexandra House 18 Chater Road, Central Hong Kong

As to Bermuda laws:
Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

As to Indonesian laws:
Ginting & Reksodiputro in association with Allen & Overy LLP
15th Floor, The Energy Building
Sudirman Central Business District Jl Jend
Sudirman Kav 52-53
Jakarta 12190
Indonesia

As to Japanese laws:
Mori Hamada & Matsumoto
Marunouchi Park Building
2-6-1 Marunouchi
Chiyoda-ku, Tokyo 100-8222
Japan

As to Macau laws:
MdME
Avenida da Praia Grande
409 China Law Building
21/F and 23/F A-B
Macau

As to Malaysian laws:
Rahmat Lim & Partners
Suite 33.01, Level 33
The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

As to Philippine laws:
Nisce Mamuric Guinto Rivera and Alcantara Law Offices
8/F 139 Corporate Center
139 Valero Street
Salcedo Village, Makati City 1227
Philippines

	As to Singapore laws: **Rajah & Tann Singapore LLP** 9 Straits View #06-07 Marina One West Tower Singapore 018937
	As to Thai laws: **Baker & McKenzie Ltd.** 25th Floor, Abdulrahim Place 990 Rama IV Road, Bangkok 10500 Thailand
	As to Vietnam laws: **LNT & Partners** Unit 03, Level 21, Bitexco Financial Tower No. 02 Hai Trieu Street, District 1 Ho Chi Minh City Vietnam
Legal Adviser to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and US laws:* **Slaughter and May** 47/F, Jardine House One Connaught Place, Central Hong Kong
Legal counsel to PCGI Holdings as controlling shareholder of our Company	**Linklaters** 11/F, Alexandra House Chater Road Hong Kong
Reporting Accountants and Auditor	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F One Taikoo Place 979 Kings Road, Quarry Bay Hong Kong
Actuarial Consultant	**Milliman Limited** Unit 3901-02, 39th Floor AIA Tower, 183 Electric Road North Point, Hong Kong

Industry Consultant	**N.M.G. Financial Services Consulting Limited** 18th Floor, 100 Bishopsgate London EC2N 4AG United Kingdom
Compliance Adviser	**CMB International Capital Limited** 45/F, Champion Tower 3 Garden Road, Central Hong Kong

[REDACTED]

[REDACTED]

Registered Office	Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands
Headquarters and Principal Place of Business in Hong Kong	13/F, 14 Taikoo Wan Road Taikoo Shing Hong Kong
Joint Company Secretaries	Steven WINEGAR 13/F, 14 Taikoo Wan Road Taikoo Shing Hong Kong LUI Wing Yat Christopher 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorised Representatives	Steven WINEGAR 13/F, 14 Taikoo Wan Road Taikoo Shing Hong Kong HUYNH Thanh Phong 19 Cove Grove Singapore 098214 LUI Wing Yat Christopher 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Alternative Authorised Representative	MA Si-Hang, Frederick Flat B, 25/F The Albany 1 Albany Road Hong Kong
Audit Committee	MA Si-Hang, Frederick *(Chairman)* CHUNG Kit Hung, Martina Walter KIELHOLZ Dirk SLUIMERS

CORPORATE INFORMATION

Compensation Committee	CHUNG Kit Hung, Martina *(Chairman)* Guido FÜRER Kyoko HATTORI LI Tzar Kai, Richard Yijia TIONG
Nomination and Corporate Governance Committee	MA Si-Hang, Frederick *(Chairman)* John BAIRD Kyoko HATTORI Walter KIELHOLZ Yijia TIONG
Risk Committee	Guido FÜRER (*Chairman*) John BAIRD CHUNG Kit Hung, Martina Dirk SLUIMERS MA Si-Hang, Frederick
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 32/F, 4 - 4A Des Voeux Road Central Hong Kong

[**REDACTED**]

Company's Website	www.fwd.com *(A copy of this document is available on our Company's website. Except for the information contained in this document, none of the other information contained on our Company's website forms part of this document)*

OUR HISTORY AND DEVELOPMENT

Introduction

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 March 2013 under the name "Power Shine Limited" and on 12 November 2015 was renamed "PCGI Intermediate Holdings Limited". We undertook the Reorganisation primarily to facilitate the [**REDACTED**]. On 20 August 2021, our Company was renamed "FWD Group Holdings Limited". On 10 January 2022, our Company adopted the dual foreign name of "富衛集團有限公司".

Our current business portfolio comprises life and health insurance, employee benefits and Shariah, family takaful products and general insurance. Our regional footprint spans across Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

Acquisitions by Mr. Li and Birth of the FWD Brand

In February 2013, Mr. Li, one of our Controlling Shareholders, acquired life insurance companies in Hong Kong, Macau and Thailand, as well as the general insurance, employee benefits, MPF business and financial planning businesses in Hong Kong, from ING. With these acquisitions, we launched the FWD brand, which comprised FWD Life (Bermuda), FWD Thailand, FWD Life (Macau) and FWD Financial Planning.

In October 2013, Mr. Li (through PCGI Holdings) entered into an agreement with Swiss Re Investments, pursuant to which Swiss Re Investments agreed to invest up to US$425 million in our Group. After the completion of Swiss Re Investments' 2013 investment in our Group, Mr. Li, indirectly, owned and controlled our Group through his stake of 87.66% and Swiss Re Investments owned the remaining equity interest of 12.34% in our Group. Swiss Re Investments subsequently transferred its holdings in our Group to Swiss Re PICA through an internal share transfer in December 2020.

For further details of the background and work experience of Mr. Li, see the section headed "*Directors and Senior Management*" in this document.

Growth of Our Group into New Markets and Businesses

From 2013 to 2021, we made a number of new market entries and expansions via a combination of organic opportunities and acquisitions, bringing the FWD brand to the Philippines, Indonesia, Singapore, Vietnam, Japan, Malaysia and Cambodia in addition to our existing presence in Hong Kong, Macau and Thailand.

Please refer to the paragraphs headed "*Major Acquisitions and Disposals*", "*Reorganisation*" and "[**REDACTED**] *Investments*" in this section for subsequent shareholding changes resulting from the major acquisitions and disposals, major shareholding changes and internal restructuring steps undertaken by our Group as well as the [**REDACTED**] Investments, respectively.

BUSINESS MILESTONES

The following table illustrates our Group's key business development milestones:

Year	Milestone
2013	• In February 2013, Mr. Li, one of our Controlling Shareholders, acquired the Hong Kong, Macau and Thailand insurance businesses from ING and launched the FWD brand.
	• In October 2013, Swiss Re Investments acquired 12.34% of equity interest in our Group.
2014	• In November 2013, we incorporated a subsidiary, FWD Philippines, in the Philippines. FWD Philippines obtained a life insurance license in the Philippines in April 2014 and commenced its life insurance business in September 2014.
2015	• In June 2015, we entered Indonesia by acquiring a direct equity stake of 50.1% in PT Finansial Wiramitra Danadyaksa, which was subsequently rebranded as FWD Indonesia. Subsequently, we increased our equity stake in FWD Indonesia, which reached 79.1% in March 2018.
2016	• In April 2016, we entered Singapore by acquiring an equity interest of 90% in Shenton Insurance Pte. Ltd., which was subsequently rebranded as FWD Singapore. Subsequently, we acquired the entire remaining stake in the company, and it became our wholly-owned subsidiary in June 2019.
	• In June 2016, we entered Vietnam by acquiring the entire equity interest in Great Eastern Life (Vietnam) Company Limited, which was subsequently rebranded as FWD Vietnam.
2017	• In April 2017, we entered Japan by acquiring AIG Fuji Life Insurance Company, Limited which was subsequently rebranded as FWD Life Japan.
	• In October 2017, we completed the transfer of FWD Pension Trust to Sun Life Hong Kong Limited, such transfer being the first phase of the disposal of our MPF and ORSO business in Hong Kong.

Year	Milestone
2019	• In March 2019, we entered Malaysia by acquiring an equity interest of 49% in HSBC Amanah Takaful, which was subsequently rebranded as FWD Takaful. In connection with this acquisition, in February 2019, FWD Takaful also entered into a 10-year exclusive bancatakaful partnership with HSBC Amanah Malaysia Berhad, as supplier of family takaful products.
	• In September 2019, we grew our presence in Thailand by acquiring an equity interest of 99.2% in SCB Life, which amalgamated with FWD Thailand in October 2020. In connection with this acquisition, we entered into a 15-year exclusive bancassurance partnership with SCB, in September 2019. Subsequently, we increased our equity interest in the amalgamated company to 99.9%.
2020	• In April 2020, we acquired the entire equity interest in VCLI, which was subsequently rebranded as FWD Assurance (Vietnam). In connection with this acquisition, we entered into a 15-year exclusive bancassurance partnership with VCB. In March 2022, we disposed our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.
	• In June 2020, we grew our presence in Hong Kong by acquiring the entire equity interest in MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, which were subsequently rebranded as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong), respectively.
	• Also, in June 2020, FWD Indonesia acquired the entire equity interest in PT Commonwealth Life and, indirectly through PT Commonwealth Life (now known as PT FWD Insurance Indonesia), the entire equity interest in PT First State Investments Indonesia (which changed its name to PT FWD Asset Management). In connection with these acquisitions, FWD Indonesia entered into a 15-year exclusive bancassurance partnership with PTBC, which was subsequently extended by mutual agreement to a 20-year term. Subsequently, FWD Indonesia merged with PT FWD Insurance Indonesia in December 2020 and the merged entity (namely, PT FWD Insurance Indonesia) was rebranded as FWD Indonesia.
	• In December 2020, we entered Cambodia by acquiring the entire share capital of Bangkok Life Assurance (Cambodia) Plc., which was subsequently rebranded as FWD Cambodia.

Year	Milestone
	• Also, in December 2020, to streamline our business to focus on life insurance, we agreed to dispose of the GI Disposal Group to an affiliate, and at the same time, we completed the divestment of FWD General Insurance to our affiliate.
2021	• In February 2021, we completed the divestment of the remaining two companies of the GI Disposal Group, iFWD TW and Bolttech Digital Solutions, to our affiliate.
	• Also, in February 2021, we completed the final phase of the disposal of our MPF and ORSO business in Hong Kong, the first phase of which closed in 2017, with the completion of the transfer of certain Class G insurance policies issued by FWD Life (Bermuda) to Sun Life Hong Kong Limited.
	• In March 2021, FWD Financial Services, a wholly-owned subsidiary of FL, subscribed for 29.9% of the issued share capital in BRI Life, which shares were subsequently transferred to FWD Management Holdings in October 2021. As part of this investment, we agreed to provide additional capital contributions to BRI Life, which is expected to bring our shareholding in BRI Life to 44.0% across a three-year period. In connection with this investment, BRI Life entered into a 15-year exclusive partnership with Bank BRI.

GROUP STRUCTURE AND MAJOR SUBSIDIARIES

The following table sets out the principal business activities, the place of incorporation, the location of business, the date of incorporation and the date of commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period:

Name of subsidiary	Principal business activities	Place of incorporation	Location of business	Date of incorporation	Date of commencement of business
FL	Investment holding	Cayman Islands	Hong Kong	December 2012	December 2012
FGL	Investment holding	Cayman Islands	Hong Kong	January 2013	January 2013
FWD Life (Bermuda)	Life insurance business	Bermuda	Hong Kong	April 1977	February 2013[(1)]
FWD Reinsurance	Reinsurance business	Cayman Islands	Cayman Islands	February 2017	March 2017

Name of subsidiary	Principal business activities	Place of incorporation	Location of business	Date of incorporation	Date of commencement of business
FWD Life (Hong Kong)	Life insurance business	Hong Kong	Hong Kong	July 2001	June 2020[(1)]
FWD Life Assurance (Hong Kong)	Life assurance business	Hong Kong	Hong Kong	May 1978	June 2020[(1)]
FWD Life Japan	Life insurance business	Japan	Japan	August 1996	April 2017[(1)]
FWD Thailand (amalgamating FWD Life Insurance Public Company Limited and SCB Life)	Life insurance business	Thailand	Thailand	October 2020[(2)]	February 2013[(1)]
FWD Management Holdings	Investment holding	Hong Kong	Hong Kong	May 2011	December 2011
FWD Life (Macau)	Life insurance business	Macau	Macau	July 1999	February 2013[(1)]
FWD Takaful	Islamic insurance business (Family Takaful)	Malaysia	Malaysia	April 2006	March 2019[(1)]
FWD Vietnam	Life insurance business & accident and health insurance business	Vietnam	Vietnam	November 2007	June 2016[(1)]
FWD Assurance (Vietnam)	Life insurance business	Vietnam	Vietnam	October 2008	April 2020[(1)(3)]
FWD Philippines	Life insurance business	Philippines	Philippines	November 2013	September 2014[(1)]
FWD Singapore	Life and general insurance business	Singapore	Singapore	February 2005	April 2016[(1)]

Name of subsidiary	Principal business activities	Place of incorporation	Location of business	Date of incorporation	Date of commencement of business
PT FWD Asset Management	Asset management	Indonesia	Indonesia	September 2003	June 2020[(1)]
PT FWD Insurance Indonesia	Life insurance business	Indonesia	Indonesia	April 1990	June 2020[(1)]

Notes:

(1) This subsidiary was acquired by our Group subsequent to its incorporation. This date represents the date of closing of our Group's acquisition of such subsidiary.

(2) SCB Life was amalgamated with FWD Thailand on 1 October 2020.

(3) In March 2022 we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Share capital of our Company

Our Company was incorporated on 18 March 2013 in the Cayman Islands under the name "Power Shine Limited" with an authorised share capital of US$50,000.00 divided into 50,000 shares with a par value of US$1.00 each (the "**Initial Shares**"). Upon incorporation, our Company allotted and issued one Initial Share to Offshore Incorporations (Cayman) Limited, who subsequently transferred the Initial Share to Mr. Li on 28 May 2013 at the same price, and our Company became wholly-owned by Mr. Li.

On 28 May 2013, the share capital of our Company was increased from US$50,000.000 divided into 50,000 shares with a par value of US$1.00 each to US$25,000,000.00 divided into 25,000,000 shares with a par value of US$1.00 each by the creation of 24,950,000 shares with a par value of US$1.00 each. On 28 May 2013 and 29 May 2013, a further nine Initial Shares and 1,000,000 Initial Shares were allotted and issued to Mr. Li, respectively. Mr. Li subsequently transferred all of the 1,000,010 Initial Shares owned by him to a wholly-owned company, Best Concord Limited (which was subsequently renamed as "PCGI Holdings Limited" on 12 November 2015), on 30 May 2013. On 7 June 2013, Best Concord Limited transferred 4,500 of Initial Shares to Chathaburi Holding Limited. The 4,500 Initial Shares were later transferred back to Best Concord Limited on 12 June 2014.

On 17 December 2020, we entered into a plan of merger with PCGI, pursuant to which PCGI merged with and into our Company in accordance with the Cayman Companies Act, with PCGI ceasing to exist and our Company as the surviving entity (the "**Merger**"). In connection with the Merger, our Company allotted and issued 18,486,640 Initial Shares to Mr. Li, being the sole shareholder of PCGI prior to completion of the Merger.

On 23 December 2020, Mr. Li transferred the 18,486,640 Initial Shares to PCGI Holdings in consideration for newly issued shares in PCGI Holdings. Upon completion of such transfer, our Company became a wholly-owned subsidiary of PCGI Holdings.

On 13 May 2021, our Company allotted and issued 2,142,858 Initial Shares to PCGI Holdings, which increased our issued share capital to 21,629,508 Initial Shares.

On 20 August 2021, our Company carried out a subdivision of the 21,629,508 Initial Shares into 2,162,950,800 ordinary shares of a nominal or par value of US$0.01 each ("**Shares**"). Following the subdivision, PCGI Holdings surrendered 1,514,065,560 Shares to our Company for no consideration, resulting in our Company's issued share capital being 648,885,240 Shares.

On 14, 15 and 20 December 2021, and on 14 and 27 January 2022, our Company allotted and issued additional Shares to certain [**REDACTED**] investors, details of which are referred to under the paragraph headed "[**REDACTED**] *Investments*" in this section below.

Reorganisation

Please refer to the paragraph headed "*Reorganisation*" in this section for details of the restructuring steps undertaken by our Group.

[**REDACTED**] **Investments**

Please refer to the paragraph headed "[**REDACTED**] *Investments*" in this section for details of subsequent shareholding changes resulting from the [**REDACTED**] Investments.

MAJOR ACQUISITIONS AND DISPOSALS

As part of our business strategy and long-term development goals, we actively seek opportunities to diversify our business operations, and to streamline our operations. During the Track Record Period, we have made certain acquisitions, investments and disposals.

1. Acquisition of the entire equity interest in PT Commonwealth Life and PT First State Investments Indonesia

On 22 October 2018, FWD Indonesia, entered into a share sale agreement with, among others, Commonwealth International Holdings Pty Limited, CMG Asia Life Holdings Limited, PT Gala Arta Jaya (together, the "**PTCL Sellers**"), PTBC and CBA. Each of the PTCL Sellers, PTBC and CBA is an independent third party. Pursuant to the share sale agreement, FWD Indonesia agreed to: (i) purchase the entire equity interest in PT Commonwealth Life from the PTCL Sellers for a total consideration of approximately IDR4,992 billion (comprising the base consideration of IDR4,400 billion, plus interest payments and other adjustments); and (ii) purchase approximately 14.61% of class A shares in PT First State Investments Indonesia from PTBC for a total consideration of IDR26 million. The consideration for the acquisition of

PT Commonwealth Life and PT First State Investments Indonesia was determined based on arm's length negotiations, with reference to its net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples. Approvals for the acquisition from the OJK in Indonesia were obtained on 28 February 2019, 17 September 2019, 17 January 2020, 7 May 2020 and 1 October 2020. The acquisition was completed and fully settled in June 2020 and upon completion of the acquisition, FWD Indonesia directly held the entire equity interest in PT Commonwealth Life (now known as PT FWD Insurance Indonesia), and directly and indirectly through PT Commonwealth Life held the entire equity interest in PT First State Investments Indonesia (which changed its name to PT FWD Asset Management).

Concurrently with the acquisition, in June 2020 PT Commonwealth Life (now known as PT FWD Insurance Indonesia) entered into a 15-year life insurance distribution agreement with PTBC. The distribution agreement with PTBC was subsequently extended to be a 20-year agreement on 22 December 2021. Under this arrangement, PTBC agreed to distribute PT FWD Insurance Indonesia's life insurance products to its customers in Indonesia by leveraging its distribution channels. In December 2020, PT FWD Insurance Indonesia merged with FWD Indonesia with the resultant merged entity being PT FWD Insurance Indonesia.

The acquisitions were undertaken in order to scale up FWD's existing business in Indonesia. PT FWD Insurance Indonesia's enhanced distribution capability adds credibility and execution track record and lays a robust foundation for its future bancassurance opportunities.

2. Acquisition of 49% equity interest in FWD Takaful

On 14 December 2018, our Group, through our wholly-owned subsidiary, FWD Life (Bermuda), entered into a share purchase agreement with HSBC Insurance (Asia Pacific) Holdings Limited (an independent third party) ("**HSBC Insurance**"), pursuant to which HSBC Insurance agreed to sell, and FWD Life (Bermuda) agreed to purchase, 49% of the issued share capital of FWD Takaful (formerly known as HSBC Amanah Takaful), a family takaful operator offering takaful insurance products in Malaysia, for a total cash consideration of US$20 million. The cash consideration for the acquisition of FWD Takaful was determined based on arm's length negotiations with reference to its net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples. Approval for the acquisition from the BNM in Malaysia was obtained on 11 December 2018. A letter of no objection to the acquisition was received from each of the HKIA in Hong Kong and the BMA in Bermuda on 2 January 2019 and 4 January 2019, respectively. The acquisition was completed and fully settled in March 2019 and our Group became the largest shareholder of FWD Takaful after the acquisition.

As part of the transaction, in February 2019, FWD Takaful also entered into a 10-year exclusive bancassurance distribution agreement with HSBC Amanah Malaysia Berhad, whereby FWD Takaful was appointed as the exclusive supplier of all family takaful products, in July 2019, FWD Takaful launched a tied agency channel, and in October 2019, FWD Takaful launched an online channel to complement its distribution capabilities.

The acquisition was undertaken in order to expand our Group's regional footprint with a view to strengthening our growth story.

3. Acquisition of the entire equity interest in MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited

On 28 June 2019, FWD Management Holdings, a wholly-owned subsidiary of the Group, entered into a share sale and purchase agreement with MetLife Worldwide Holdings, LLC, MetLife International Holdings, LLC and Natiloportem Holdings LLC (together, the "**MetLife Sellers**"). Each of the MetLife Sellers is an independent third party. Pursuant to the share sale and purchase agreement, the MetLife Sellers agreed to sell, and FWD Management Holdings agreed to purchase, the entire equity interests in MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited for an aggregate consideration of US$344 million as adjusted in accordance with the share sale and purchase agreement. The consideration for the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited was determined based on arm's length negotiations, with reference to their net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples. A letter of no objection to the acquisition was received from the HKIA in Hong Kong on 24 June 2020. These acquisitions were completed and fully settled in June 2020.

These acquisitions were undertaken in order to further strengthen our presence in Hong Kong, to enhance new business potential from additional sales forces and to realise synergies with improved operational efficiency.

4. Acquisition of 99.2% equity interest in SCB Life

On 1 July 2019, FWD Group Financial Services, a wholly-owned subsidiary of our Group, entered into a share sale agreement with SCB, one of the top three banks in Thailand by number of branches and market capitalisation and an independent third party, pursuant to which SCB agreed to sell, and FWD Group Financial Services agreed to purchase, an equity interest of 99.2% in SCB Life for a total consideration of THB94,006 million (comprising the base consideration of THB92,720 million, plus adjustments). The consideration for the acquisition of SCB Life was determined based on arm's length negotiations, with reference to its net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples. Approvals for the acquisition from the OIC and the Bank of Thailand in Thailand were obtained on 23 August 2019 and 27 August 2019, respectively. The acquisition was completed and fully settled on 26 September 2019. SCB Life was then amalgamated with FWD Thailand in October 2020, and the new company continues to use the same name as FWD Thailand. Subsequently, we increased our equity interest in the amalgamated company to 99.9% in December 2020.

On completion of the acquisition on 26 September 2019, SCB and SCB Life also entered into a distribution agreement to establish a long-term bancassurance partnership. Pursuant to the distribution agreement, SCB agreed to distribute SCB Life's life insurance products to SCB's customers in Thailand for a period of 15 years by leveraging SCB's distribution channels.

The acquisition offered a unique opportunity to bring on board a long-term premier bank partner with a strong household brand, enabling the Group to become a top-three insurer in Thailand, shifting its centre of gravity to the Southeast Asian growth markets.

5. Acquisition of the entire equity interest in VCLI

On 12 November 2019, FWD Life (Bermuda), a wholly-owned subsidiary of the Group, entered into a capital transfer agreement with VCB (an independent third party) (the "**Vietcombank Seller**") and VCLI, pursuant to which the Vietcombank Seller agreed to sell, and FWD Life (Bermuda) agreed to purchase, 45% of the charter capital of VCLI for a total consideration of VND614.025 billion. The consideration for the acquisition was determined based on arm's length negotiations, with reference to its net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples.

On the same day, the Group also entered into a distribution agreement with the Vietcombank Seller pursuant to which the Group established an exclusive bancassurance partnership with the Vietcombank Seller where the Vietcombank Seller will distribute life insurance products of the Group in Vietnam for a term of 15 years commencing from the date of completion of the capital transfer of VCLI from the Vietcombank Seller to FWD Life (Bermuda).

On the same day, FWD Life (Bermuda) also entered into a capital transfer agreement with BNP Paribas Cardif (an independent third party) and VCLI, pursuant to which BNP Paribas Cardif agreed to sell and FWD Life (Bermuda) agreed to purchase 55% of the charter capital of VCLI for a total consideration of VND750.475 billion. The consideration for the acquisition was determined based on arm's length negotiations, with reference to VCLI's net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples.

A letter of no objection to the acquisition was received from each of the HKIA in Hong Kong and the BMA in Bermuda on 21 February 2020 and 24 February 2020, respectively, and approval for the acquisition was obtained from the Ministry of Finance of Vietnam on 3 April 2020. The acquisition was completed and fully settled in April 2020.

Following the capital transfers, FWD Life (Bermuda) owned the entire charter capital of VCLI. The acquisition presented a valuable opportunity to partner with a premier bank in Vietnam with a view to strengthening our distribution reach and brand presence, and accelerating growth of our Group. In March 2022 we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.

6. Disposal of the entire equity interest in FWD General Insurance, iFWD TW and Bolttech Digital Solutions

During the Track Record Period, our Group, by utilising our own resources, technology and insurance capabilities, successfully launched a global insurtech platform, bolttech, comprising (amongst others) device protection, digital brokerage (through Bolttech Digital Solutions) and general insurance business (through FWD General Insurance). After leveraging on these platforms to strengthen our Group's digital and technological development and with a view to streamlining the Group's lines of business in order to focus on life insurance, on 8 December 2020, FL, FGL and bolttech Holdings (formerly known as Sky Noble Ventures Limited and is indirectly majority owned and controlled by Mr. Li), entered into a share purchase agreement, pursuant to which FL and FGL agreed to procure the sale of, and bolttech Holdings agreed to procure the purchase of, the entire equity interest in FWD General Insurance, iFWD TW and Bolttech Digital Solutions, for a total consideration of approximately US$109 million. The consideration for the disposals was determined based on arm's length negotiations with reference to the valuation by an independent valuer, using discounted cash flow analysis and precedent transaction multiples, and the carrying value of the relevant assets. Approvals for the the disposal were obtained from the HKIA in Hong Kong and the Taiwan Investment Commission in Taiwan on 8 December 2020 and 15 December 2020 respectively. The disposal of FWD General Insurance was completed and fully settled in December 2020 while the disposals of iFWD TW and Bolttech Digital Solutions were completed and fully settled in February 2021, following receipt of requisite regulatory approvals.

As part of the transaction, the relevant affiliate(s) of FL and FGL and the relevant affiliate(s) of bolttech Holdings entered into a collaboration arrangement for the distribution by our Group of general insurance products of the bolttech Group, and the distribution by the bolttech Group of our Group's life insurance products, as well as various contractual arrangements pursuant to which, among other things, bolttech Holdings agreed to pay our Group for the provision of certain shared services and the use of certain trademarks in respect of the FWD brand. See "*Connected Transactions – Fully Exempt Continuing Connected Transactions*" and "*Relationship with the Controlling Shareholders*".

7. Acquisition of equity interest in BRI Life

On 19 June 2020, FWD Financial Services, a wholly-owned subsidiary of FL, entered into a conditional share subscription agreement with BRI Life and Bank BRI, pursuant to which FWD Financial Services agreed to subscribe for new shares representing approximately 29.9% of the issued share capital of BRI Life for a total consideration of IDR3,850 billion. Each of BRI Life and Bank BRI is an independent third party. Approvals for the share subscription were obtained from the OJK in Indonesia on 29 January 2021 and 4 February 2021. A letter of no objection to the share subscription was received from the HKIA in Hong Kong on 16 February 2021. The share subscription was completed and fully settled in March 2021. In October 2021, FWD Financial Services novated its rights and obligations under the conditional share subscription agreement to FWD Management Holdings and transferred its entire shareholding in BRI Life to FWD Management Holdings. As part of the novation, FWD Management Holdings also agreed to take over FWD Financial Services' obligation to subscribe for additional shares in BRI Life over three tranches, with each tranche taking place over the course of the next three years following the initial subscription in March 2021 to support BRI Life's growth plans. Following the subscription of these additional tranches, FWD Management Holdings will own 44.0% of the issued share capital of BRI Life. The financial results of BRI Life are not, and will not be upon completion of the subscription of these additional tranches, consolidated into the consolidated financial statements of the Group. On 2 March 2022, FWD Management Holdings subscribed for additional shares in BRI Life, which resulted in its aggregate shareholding in BRI Life being 35.1%.

BRI Life is a life insurance company in Indonesia and a subsidiary of Bank BRI, which is a state-owned bank in Indonesia. As part of this investment, on 2 March 2021, Bank BRI and BRI Life entered into a 15-year distribution agreement for the marketing of BRI Life's life products through Bank BRI's distribution channels.

This investment is in line with the strategy of our Group of partnering with leading banks to expand our customer reach in Southeast Asia. The partnership with Bank BRI represents an opportunity for our Group to transform our presence in Indonesia, one of the most attractive and fastest-growing economies in the markets where we operate.

Compliance with Rule 4.05A of the Listing Rules

Save for the acquisition of 99.2% equity interest in SCB Life completed on 26 September 2019, none of the applicable percentage ratios as defined under the Listing Rules in respect of the abovementioned major acquisitions during the Track Record Period exceeds 25%; as such, the pre-acquisition financial information in respect of such major acquisitions is not required to be disclosed.

In compliance with the requirements of Rule 4.05A of the Listing Rules, as well as to facilitate the investors' understanding of the impact of the acquisition of SCB Life, this document includes the pre-acquisition financial statements of SCB Life for the period from 1 January 2019 to 25 September 2019, which have been audited by Ernst & Young and are set forth in Note 40 to the Accountants' Report in Appendix I to this document.

REORGANISATION

Background to the Reorganisation

We have undertaken the Reorganisation in an effort to unify the ownership structure of our Group, as well as to facilitate the [**REDACTED**]. We believe this will enhance organisational efficiency. Below is a description of the Reorganisation, Phase 1 of which has been completed and Phase 2 of which is conditional upon receiving certain regulatory approvals and upon [**REDACTED**] taking place.

Please refer to the paragraph headed "*Corporate Structure*" in this section for the structure charts depicting the shareholding structure of our Group before and after the Reorganisation (as detailed below).

Phase 1: Merger of PCGI into our Company, consolidation of Mr. Li's interests into PCGI Holdings and transfer of PCGI Intermediate and PCGI Intermediate II Holdings ("Phase 1")

On 17 December 2020, we entered into a plan of merger with PCGI, pursuant to which PCGI merged with and into our Company in accordance with the Cayman Companies Act, with PCGI ceasing to exist and our Company as the surviving entity (the "**Merger**"). The Merger was completed on the same day, whereby we assumed all of the assets and liabilities of PCGI and directly held 71.82% of the issued share capital in each of FL and FGL and 100% interest in each of PCGI Intermediate and PCGI Intermediate II Holdings.

On 23 December 2020, Mr. Li transferred his direct shareholding in our Company to PCGI Holdings in consideration for newly issued shares in PCGI Holdings. Upon completion of such transfer, our Company became a wholly-owned subsidiary of PCGI Holdings, which is the vehicle through which Mr. Li holds interests in our Group.

On that date, we transferred the entire issued share capital of PCGI Intermediate and PCGI Intermediate II Holdings (both entities of which are issuers of public bonds unrelated to our Group's business or financing) to PCGI Holdings. Immediately following the transfer, PCGI Holdings directly held the entire issued share capital of PCGI Intermediate, PCGI Intermediate II Holdings and our Company. Pursuant to the entry into a deed of novation and release, an intragroup deed of transfer and novation and two deeds of guarantee between our Group and PCGI Holdings, the indebtedness and guarantees of our Company with respect to PCGI Intermediate and PCGI Intermediate II Holdings were novated to PCGI Holdings following such transfer.

Phase 2: Equity restructuring of security interests in FL and FGL ("Phase 2")

In connection with the Reorganisation, we entered into an amended and restated implementation agreement dated 22 December 2021 with PCGI Holdings, FL, FGL and securityholders in our Group which hold interests in FL and FGL (including the [**REDACTED**] Investors of the Previous Rounds [**REDACTED**] Investments, individual shareholders and senior management) (the "**Implementation Agreement**").

Pursuant to the Implementation Agreement, and conditional upon the [**REDACTED**], we have agreed to acquire the interests of FL and FGL (being ordinary shares, preference shares and convertible preference shares in FL and FGL) held by these securityholders in consideration for the issuance of our Shares. All warrants granted by FL and FGL held thereby have lapsed as of the date of this document.

The number of Shares which each such securityholder will be entitled to will be determined by reference to such securityholder's as-converted percentage holding of the issued ordinary share capital of each of FL and FGL had the Implementation Agreement not been entered into (the "**FL/FGL Holding Percentage**") such that immediately after the issuance of the Shares to all such securityholders, each such securityholder will hold a percentage of the then total number of outstanding Shares (excluding Shares held by the [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment) as equal to its FL/FGL Holding Percentage. For the purpose of determining the FL/FGL Holding Percentage: (a) in the case of holders of preference shares in FL and FGL, each of their preference shares will be treated as being converted to one ordinary share in FL and FGL; and (b) in the case of holders of convertible preference shares in FL and FGL, each of their convertible preference shares will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (i) the sum of the respective invested principal amount and accrued interest at the applicable coupon of between approximately 7% per annum to 17% per annum up to the date of the [**REDACTED**] by (ii) a price per FL/FGL ordinary share equivalent to the [**REDACTED**].

Upon completion of Phase 2, our Company will hold 100% of the issued share capital of FL and FGL and is expected to continue to retain, or surrender for cancellation, our holding of preference shares and convertible preference shares in FL and FGL. Other ordinary shareholders, preference shareholders and holders of convertible preference shares in FL and FGL will hold their respective FL/FGL Holding Percentage of indirect interests in FL and FGL through the holding of our Shares (subject to dilution arising from the [**REDACTED**]) and will not be entitled to any special rights upon completion of the [**REDACTED**].

[REDACTED] INVESTMENTS

Overview

The Group had received seven rounds of [**REDACTED**] Investments, in respect of which [**REDACTED**] Investors subscribed for convertible preference shares in FL and FGL or our Shares. Details of our [**REDACTED**] Investments are summarised below.

Subscription of Series A CPS of FL and FGL by RRJ

On 10 February 2017, a subscription agreement was entered into among FL, FGL, Eastwood Asset Holding (which is controlled by RRJ) and RRJ pursuant to which Eastwood Asset Holding was allotted and issued convertible preference shares, which were re-designated as series A convertible preference shares, ("**Series A CPS**") in FL with a par value of US$0.01 each and Series A CPS in FGL with a par value of US$0.01 each on 1 March 2018 (the "**RRJ First [REDACTED] Investment**").

On the same day, Eastwood Asset Holding, Swiss Re Investments, PCGI and our Company entered into a side undertaking letter in connection with the aforementioned subscription agreement (the "**RRJ Side Undertaking Letter**") pursuant to which, among other things: (i) Eastwood Asset Holding granted PCGI and our Company the right to require Eastwood Asset Holding to, in consideration of the buyback amount prescribed in the RRJ Side Undertaking letter, transfer all or any part of the Series A CPS in FL and FGL allotted and issued under the subscription agreement to PCGI/our Company or to PCGI/our Company's order; and (ii) PCGI and our Company unconditionally and irrevocably guaranteed to Eastwood Asset Holding that if FL or FGL does not pay any sum payable by it under the Series A CPS or in respect of any breach of its respective warranties under the subscription agreement, PCGI and our Company shall pay such sum in cash to Eastwood Asset Holding.

As noted under the section headed *"– Buyback of Series A CPS of FL and FGL by Fornax and PCGI"* below, the RRJ Side Undertaking Letter lapsed in February 2020.

The table below sets out the principal terms of the RRJ First [**REDACTED**] Investment:

Name of our [REDACTED] Investor	**Eastwood Asset Holding**
Date of investment	10 February 2017
Number of CPS subscribed but subsequently redesignated to Series A CPS	(i) FL: 1,264,672 Series A CPS in FL[(1)] (ii) FGL: 1,264,672 Series A CPS in FGL[(1)]
Cost per Series A CPS at the time of the subscription	(i) FL: US$0.01 per Series A CPS in FL (ii) FGL: US$316.29 per Series A CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$12,647 in respect of Series A CPS in FL (ii) FGL: US$400,000,000 in respect of Series A CPS in FGL
Basis of determination of the consideration	The subscription consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL

Date on which the investment was fully settled	23 February 2017
Conversion	Upon a qualified [**REDACTED**], each Series A CPS will convert to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest at the coupon of approximately 15.0% per annum up to the date of the [**REDACTED**] by (b) a price per FL/FGL ordinary share equivalent to the [**REDACTED**].

Note:

(1) On 16 January 2020, Eastwood Asset Holding undertook a transfer of 1,054,630 Series A CPS in each of FL and FGL to Fornax. On 14 February 2020, Eastwood Asset Holding undertook a further transfer of 210,042 Series A CPS in each of FL and FGL to our Company. Following such transfers, Eastwood Asset Holding ceased to hold any Series A CPS in each of FL and FGL. See *"– Buyback of Series A CPS of FL and FGL by Fornax and PCGI"* for more details.

Subscription of Series A CPS of FL and FGL by GIC Blue

On 27 March 2017, a subscription agreement was entered into among FL, FGL and Crimson White Investment, pursuant to which Crimson White Investment, an investment vehicle of the Minister for Finance of the Government of Singapore and an affiliate of GIC Blue, was allotted and issued convertible preference shares (which were re-designated to Series A CPS) in FL with a par value of US$0.01 and Series A CPS in FGL with a par value of US$0.01 (the "**GIC Blue** [**REDACTED**] **Investment**").

The table below sets out the principal terms of the GIC Blue [**REDACTED**] Investment:

Name of our [**REDACTED**] **Investor**	**Crimson White Investment**
Date of investment	27 March 2017
Number of Series A CPS subscribed	(i) FL: 316,158 Series A CPS in FL (ii) FGL: 316,158 Series A CPS in FGL

[**REDACTED**]

Cost per Series A CPS at the time of the subscription	(i) FL: US$0.01 per Series A CPS in FL (ii) FGL: US$316.29 per Series A CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$3,161.58 in respect of Series A CPS in FL (ii) FGL: US$99,996,837.12 in respect of Series A CPS in FGL
Basis of determination of the consideration	The subscription consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL

[**REDACTED**]

Date on which the investment was fully settled	11 May 2017
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series A CPS would be acquired in consideration for our Shares to be issued to it conditional on, and upon, [**REDACTED**]. Each of such Series A CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest from 11 May 2017 at the coupon of approximately 15.70% per annum up to the date of the [**REDACTED**] by (b) a [**REDACTED**] per FL/FGL ordinary share equivalent to the [**REDACTED**].

Notes:

(1) The number of Shares held after completion of the [**REDACTED**] is calculated based on the [**REDACTED**] to demonstrate the maximum dilution that could arise as a result of exchanging the CPS for newly issued Shares within the [**REDACTED**].

(2)

[**REDACTED**]

Subscription of Series A CPS of FL and FGL by HOPU

On 1 March 2018, a subscription agreement was entered into by, among others, FL, FGL, Future Financial Investment (which is controlled by HOPU) and HOPU, pursuant to which Future Financial Investment was allotted and issued Series A CPS in FL with a par value of US$0.01 and Series A CPS in FGL with a par value of US$0.01 (the "**HOPU [REDACTED] Investment**").

The table below sets out the principal terms of the HOPU [**REDACTED**] Investment:

Name of our [REDACTED] Investor	**Future Financial Investment**
Date of investment	1 March 2018
Number of Series A CPS subscribed	(i) FL: 948,504 Series A CPS in FL (ii) FGL: 948,504 Series A CPS in FGL

[**REDACTED**]

Cost paid per Series A CPS at the time of the subscription	(i) FL: US$0.01 per Series A CPS in FL (ii) FGL: US$316.29 per Series A CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$9,485.04 in respect of Series A CPS in FL (ii) FGL: US$300,000,000 in respect of Series A CPS in FGL

[**REDACTED**]

Basis of determination of the consideration	The subscription consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL
Date of which the investment was fully settled	7 March 2018

Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series A CPS would be acquired in consideration for our Shares to be issued to it conditional on, and upon, [**REDACTED**]. Each of such Series A CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and, in respect of the Series A CPS held by Future Financial Investment, accrued interest from 1 March 2018 at the coupon of approximately 15.83% per annum up to the date of the [**REDACTED**] and, in respect of the Series A CPS held by Fornax, accrued interest from 27 October 2020 at the coupon of approximately 17.26% per annum up to the date of [**REDACTED**], in each case by (b) a [**REDACTED**] per FL/FGL ordinary share equivalent to the [**REDACTED**].

Notes:

(1) On 27 October 2020, Future Financial Investment undertook a transfer of 435,975 Series A CPS in each of FL and FGL to Fornax ("**Fornax Transfer**"). As such, Future Financial Investment became the registered owner of the 512,529 Series A CPS in each of FL and FGL thereafter.

(2) The number of Shares held after completion of the [**REDACTED**] is calculated based on the [**REDACTED**] to demonstrate the maximum dilution that could arise as a result of exchanging the CPS for newly issued Shares within the [**REDACTED**].

(3)

[**REDACTED**]

Buyback of Series A CPS of FL and FGL by Fornax and PCGI

On 6 January 2020, pursuant to the RRJ Side Undertaking Letter, PCGI and our Company issued a buyback notice to Eastwood Asset Holding pursuant to which PCGI and our Company exercised its buyback right to require Eastwood Asset Holding to transfer to Fornax (i) 1,054,630 Series A CPS in FL for a total consideration of US$15,807.91, and (ii) 1,054,630 Series A CPS in FGL for a total consideration of US$499,984,462.68 on 16 January 2020 (the "**Fornax Buyback**").

On 5 February 2020, PCGI and our Company further issued a buyback notice to Eastwood Asset Holding pursuant to which PCGI and our Company exercised its buyback right to require Eastwood Asset Holding to transfer to our Company (i) 210,042 Series A CPS in FL for a total consideration of US$3,184.71, and (ii) 210,042 Series A CPS in FGL for a total consideration of US$100,728,274.86 on 14 February 2020 (the "**Company Buyback**").

The Fornax Buyback and the Company Buyback represented an opportunity for Fornax and PCG to increase their interests in the Group as the Series A CPSs could be converted into shares, while providing a return.

Following the Fornax Buyback and the Company Buyback, all Series A CPS in FL and FGL initially allotted and issued to Eastwood Asset Holding have been bought back and the RRJ Side Undertaking Letter lapsed.

The table below sets out the principal terms of the Fornax Buyback and the Company Buyback:

Name of our [REDACTED] Investor	**Fornax**	**Our Company**
Date of investment	6 January 2020	5 February 2020
Number of Series A CPS acquired:	(i) FL: 1,054,630 Series A CPS in FL (ii) FGL: 1,054,630 Series A CPS in FGL	(i) FL: 210,042 Series A CPS in FL (ii) FGL: 210,042 Series A CPS in FGL

[REDACTED]

Cost paid per Series A CPS at the time of the relevant buyback	(i) FL: US$0.01 per Series A CPS in FL (ii) FL: US$474.09 per Series A CPS in FGL	(i) FL: US$0.02 per Series A CPS in FL (ii) FGL: US$479.56 per Series A CPS in FGL
Total consideration at the time of the relevant buyback	(i) FL: US$15,807.91 in respect of Series A CPS in FL (ii) FGL: US$499,984,462.68 in respect of Series A CPS in FGL	(i) FL: US$3,184.71 in respect of Series A CPS in FL (ii) FGL: US$100,728,274.86 in respect of Series A CPS in FGL
Basis of determination of the consideration	The consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of the purchase, taking into account the timing of the purchase, the then status of the businesses carried on by FL/FGL	

[REDACTED]

Date of which the investment was fully settled	16 January 2020	14 February 2020
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series A CPS held by Fornax would be acquired in consideration for our Shares to be issued to it conditional on, and upon, [**REDACTED**]. Each of such Series A CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and, in respect of the Series A CPS transferred to Fornax, accrued interest from 16 January 2020 at the coupon of approximately 16.50% per annum up to the date of the [**REDACTED**] and, in respect of the Series A CPS transferred to our Company, accrued interest from 14 February 2020 at the coupon of approximately 16.55% per annum up to the date of the [**REDACTED**], in each case by (b) a [**REDACTED**] per FL/FGL ordinary share equivalent to the [**REDACTED**].	

Notes:

(1) On 26 August 2022, Fornax undertook a transfer of 617,631 Series A CPS in each of FL and FGL to PCGI Holdings for a total consideration of US$420,000,222.91 (the "**Fornax CPS Transfer**"). The Fornax CPS Transfer represented an internal reorganisation of economic interests in the Company which are ultimately held by Mr. Li. In particular, the 617,631 Series A CPS in each of FL and FGL which are the subject of the Fornax CPS Transfer was, prior to the Fornax CPS Transfer, part of the approximately 94% economic interest in Falcon 2019 Co-Invest A, L.P. which was held by Spring Achiever Limited which, in turn, is indirectly wholly-owned by Mr. Li. Following the Fornax CPS Transfer, Spring Achiever Limited holds approximately 92.6% economic interest in Falcon 2019 Co-Invest A. L.P. As a result of the Fornax CPS Transfer, Fornax and PCGI Holdings respectively hold 436,999 and 617,631 of the 1,054,630 Series A CPS in each of FL and FGL which were previously transferred from Eastwood Asset Holding to Fornax as part of the Fornax Buyback. When taken together with the 435,975 Series A CPS in each of FL and FGL held by Fornax in respect of the HOPU [**REDACTED**] Investment, Fornax's aggregate holding of Series A CPS in each of FL and FGL is 872,974.

(2) The number of Shares held after completion of the [**REDACTED**] is calculated based on the [**REDACTED**] to demonstrate the maximum dilution that could arise as a result of exchanging the CPS for newly issued Shares within the [**REDACTED**].

(3) The number of Shares held after completion of the [**REDACTED**] and approximate effective discount to the [**REDACTED**] is not applicable with respect to Series A CPS held by our Company as we expect to surrender our holding of convertible preference shares in FL and FGL for cancellation without issuance of additional Shares in accordance with Phase 2 of the Reorganisation.

(4)

[REDACTED]

Subscription of Series B2 CPS and Series B Warrants of FL and FGL by PCGI, Swiss Re Investments and RRJ

On 8 March 2019, subscription agreements were entered into among FL and FGL, and, inter alia, each of PCGI, our Company, Swiss Re Investments and Eastwood Asset Holding (which is controlled by RRJ), respectively, pursuant to which each of PCGI, Swiss Re Investments and Eastwood Asset Holding was allotted and issued series B2 convertible preference shares ("**Series B2 CPS**") in FL with a par value of US$0.01 each and each of our Company, Swiss Re Investments and Eastwood Asset Holding was allotted and issued Series B2 CPS in FGL with a par value of US$0.01 each (each such investment by PCGI/our Company, Swiss Re Investments and Eastwood Asset Holding shall be referred to as the "**PCG First** [**REDACTED**] **Investment**", "**Swiss Re First** [**REDACTED**] **Investment**" and "**RRJ Second** [**REDACTED**] **Investment**", respectively).

In connection with the issue of Series B2 CPS in FL and FGL, each of PCGI, our Company, Swiss Re Investments and Eastwood Asset Holding also subscribed for warrants to subscribe for fully paid common shares ("**Series B Warrants**") in FL and FGL which are exercisable for one common share in FL and FGL, respectively, per Series B Warrant. Each Series B Warrant has an exercise price to be determined by FL and FGL upon exercise of any such warrants, provided that the exercise price of each corresponding Series B Warrant in FL and FGL shall add up to an aggregate of US$316.30. As at the Latest Practicable Date, all of the Series B Warrants have lapsed and are no longer capable of being exercised.

The table below sets out the principal terms of the PCG First [**REDACTED**] Investment, the Swiss Re First [**REDACTED**] Investment and the RRJ Second [**REDACTED**] Investment:

Name of our [REDACTED] Investor	**PCGI/our Company**	**Swiss Re Investments**	**Eastwood Asset Holding**
Date of investment	8 March 2019	8 March 2019	8 March 2019
Number of Series B2 CPS subscribed	(i) FL: 189,701 Series B2 CPS in FL	(i) FL: 63,234 Series B2 CPS in FL(1)	(i) FL: 189,701 Series B2 CPS in FL(2)
	(ii) FGL: 189,701 Series B2 CPS in FGL	(ii) FGL: 63,234 Series B2 CPS in FGL(1)	(ii) FGL: 189,701 Series B2 CPS in FGL(2)
Number of Series B Warrants subscribed	(i) FL: 47,425 Series B Warrants in FL	(i) FL: 15,809 Series B Warrants in FL	(i) FL: 47,425 Series B Warrants in FL
	(ii) FGL: 47,425 Series B Warrants in FGL	(ii) FGL: 15,809 Series B Warrants in FGL	(ii) FGL: 47,425 Series B Warrants in FGL

[**REDACTED**]

Cost paid per Series B2 CPS and Series B Warrants at the time of the subscription	(i) FL: US$0.01 per Series B2 CPS in FL (ii) FGL: US$316.29 per Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$0.01 per Series B2 CPS in FL (ii) FGL: US$316.29 per Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$0.01 per Series B2 CPS in FL (ii) FGL: US$316.29 per Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.
Total consideration for Series B2 CPS subscribed and Series B Warrants at the time of the subscription	(i) FL: US$1,897.01 in respect of Series B2 CPS in FL (ii) FGL: US$60,000,000 in respect of Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$632.34 in respect of Series B2 CPS in FL (ii) FGL: US$20,000,000 in respect of Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$1,897.01 in respect of Series B2 CPS in FL (ii) FGL: US$60,000,000 in respect of Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.

[**REDACTED**]

Basis of determination of the consideration of Series B2 CPS	The subscription consideration for each of the PCG First [**REDACTED**] Investment, Swiss Re First [**REDACTED**] Investment and RRJ Second [**REDACTED**] Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL.
Date on which the investment was fully settled	The Series B2 CPS were fully settled on 13 March 2019, and all Series B Warrants were subscribed on the same day.

Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series B2 CPS (other than those held by our Company) would be acquired in consideration for our Shares to be issued to it conditional on, and upon, [**REDACTED**]. Each of such Series B2 CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and, in respect of the Series B2 CPS held by Swiss Re PICA and our Company, accrued interest from 13 March 2019 at the coupon of approximately 13.07% per annum up to the date of the [**REDACTED**] and, in respect of the Series B2 CPS held by Queensway Asset Holding, accrued interest from 16 June 2020 at the coupon of approximately 13.78% per annum up to the date of the [**REDACTED**] by (b) a [**REDACTED**] per FL/FGL ordinary share equivalent to the [**REDACTED**].

Notes:

(1) The number of Shares held after completion of the [**REDACTED**] and approximate effective discount to the [**REDACTED**] is not applicable with respect to Series B2 CPS held by our Company as we expect to surrender our holding of convertible preference shares in FL and FGL for cancellation without issuance of additional Shares in accordance with Phase 2 of the Reorganisation.

(2) On 18 December 2020, Swiss Re Investments undertook a transfer of 63,234 Series B2 CPS in each of FL and FGL to Swiss Re PICA. As such, Swiss Re Investments ceased to hold any Series B2 CPS, and Swiss Re PICA became the registered owner of the 63,234 Series B2 CPS in each of FL and FGL thereafter.

(3) On 16 June 2020, Eastwood Asset Holding undertook a transfer of 189,701 Series B2 CPS in each of FL and FGL to Queensway Asset Holding (which is also controlled by RRJ). As such, Eastwood Asset Holding ceased to hold any Series B2 CPS, and Queensway Asset Holding became the registered owner of the 189,701 Series B2 CPS in each of FL and FGL thereafter.

(4) The number of Shares held after completion of the [**REDACTED**] is calculated based on the [**REDACTED**] to demonstrate the maximum dilution that could arise as a result of exchanging the CPS for newly issued Shares within the [**REDACTED**].

(5)

[**REDACTED**]

Subscription of Series B3 CPS of FL and FGL by PCGI, Mr. Wong and Swiss Re Investments

On 23 October 2020, subscription agreements were entered into amongst FL and FGL, with each of PCGI, our Company, Mr. Wong and Swiss Re Investments, respectively, pursuant to which each of PCGI, Mr. Wong and Swiss Re Investments was allotted and issued series B3 convertible preference shares ("**Series B3 CPS**") in FL with a par value of US$0.01 each and each of our Company, Mr. Wong and Swiss Re Investments was allotted and issued Series B3 CPS in FGL with a par value of US$0.01 each (each such investment by PCGI/our Company, Mr. Wong and Swiss Re Investments shall be referred to as the "**PCG Second [REDACTED] Investment**", "**Mr Wong's [REDACTED] Investment**" and "**Swiss Re Second [REDACTED] Investment**", respectively).

In connection with the issue of Series B3 CPS in FL and FGL, each of PCGI, our Company, Mr. Wong and Swiss Re Investments also subscribed for Series B Warrants in FL and FGL which are excisable for one common share in FL and FGL, respectively, per Series B Warrant. Each Series B Warrant has an exercise price to be determined by FL and FGL upon exercise of any such warrants, provided that the exercise price of each corresponding Series B Warrant in FL and FGL shall add up to an aggregate of US$316.30. As at the Latest Practicable Date, all of the Series B Warrants subscribed by PCGI, our Company, Mr. Wong or Swiss Re Investments have lapsed and are no longer capable of being exercised.

The table below sets out the principal terms of the PCG Second [**REDACTED**] Investment, Mr. Wong's [**REDACTED**] Investment and the Swiss Re Second [**REDACTED**] Investment:

Name of our [REDACTED] Investor	PCGI/our Company	Mr. Wong	Swiss Re Investments
Date of investment	23 October 2020	23 October 2020	23 October 2020
Number of Series B3 CPS subscribed	(i) FL: 4,774,750 Series B3 CPS in FL[(1)] (ii) FGL: 4,774,750 Series B3 CPS in FGL[(1)]	(i) FL: 6,323 Series B3 CPS in FL (ii) FGL: 6,323 Series B3 CPS in FGL	(i) FL: 664,341 Series B3 CPS in FL[(2)] (ii) FGL: 664,341 Series B3 CPS in FGL[(2)]
Number of Series B Warrants subscribed	(i) FL: 1,193,687 Series B Warrants in FL (ii) FGL: 1,193,687 Series B Warrants in FGL	(i) FL: 1,581 Series B Warrants in FL (ii) FGL: 1,581 Series B Warrants in FGL	(i) FL: 166,085 Series B Warrants in FL (ii) FGL: 166,085 Series B Warrants in FGL

[REDACTED]

Cost paid per Series B3 CPS and Series B Warrants at the time of the subscription	(i) FL: US$258.98 per Series B3 CPS in FL (ii) FGL: US$57.32 per Series B3 CPS in FGL	(i) FL: US$316.30 per Series B3 CPS in FL (ii) FGL: US$0.01 per Series B3 CPS in FGL	(i) FL: US$243.55 per Series B3 CPS in FL (ii) FGL: US$72.75 per Series B3 CPS in FGL

Total consideration for Series B3 CPS and Series B Warrants subscribed at the time of the subscription	(i) FL: US$1,236,571,439.65 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FL. (ii) FGL: payment of US$273,670,525.95 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FGL. No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$1,999,948.46 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FL. (ii) FGL: payment of US$63.23 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FGL. No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$161,799,652.64 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FL. (ii) FGL: US$48,329,811.24 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FGL. No additional consideration was paid for the Series B Warrants subscribed.

[**REDACTED**]

Basis of determination of the consideration of Series B3 CPS	The subscription consideration for each of the PCG Second [**REDACTED**] Investment, Mr Wong's [**REDACTED**] Investment and Swiss Re Second [**REDACTED**] Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL.		
Date on which the investment was fully settled	23 October 2020	23 October 2020	23 October 2020
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series B3 CPS (other than those held by our Company) would be acquired in consideration for our Shares to be issued to it conditional on, and upon, [**REDACTED**]. Each of such Series B3 CPS held by PCGI/our Company, Mr. Wong, Swiss Re PICA and Fornax will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest at the coupon of approximately 7.05% per annum from 23 October 2020 (in respect of the Series B3 CPS held by PCGI/our Company, Mr. Wong and Swiss Re PICA), 7.06% per annum (from 27 October 2020 in respect of the Series B3 CPS held by Fornax pursuant to the Fornax First Transfer) and 7.98% per annum (from 20 April 2021 in respect of the Series B3 CPS held by Fornax pursuant to the Fornax Second Transfer) up to the date of the [**REDACTED**] by (b) a [**REDACTED**] per FL/FGL ordinary share equivalent to the [**REDACTED**].		

Notes:

(1) The number of Shares held after completion of the [**REDACTED**] and approximate effective discount to the [**REDACTED**] is not applicable with respect to Series B3 CPS held by our Company as we expect to surrender our holding of convertible preference shares in FL and FGL for cancellation without issuance of additional Shares in accordance with Phase 2 of the Reorganisation.

(2) On 27 October 2020 and 20 April 2021, our Company (which has been merged with PCGI) undertook a transfer of 2,073,269 ("**Fornax First Transfer**") and 1,219,967 ("**Fornax Second Transfer**") Series B3 CPS in each of FL and FGL respectively to Fornax. As such, Fornax became the registered owner of a total of 3,293,236 Series B3 CPS in each of FL and FGL and our Company became the registered owner of the 1,481,514 Series B3 CPS in each of FL and FGL thereafter.

(3) On 18 December 2020, Swiss Re Investments undertook a transfer of 664,341 Series B3 CPS in each of FL and FGL to Swiss Re PICA. As such, Swiss Re Investments ceased to hold any Series B3 CPS and Swiss Re PICA became the registered owner of the 664,341 Series B3 CPS in each of FL and FGL thereafter.

(4) The number of Shares held after completion of the [**REDACTED**] is calculated based on the [**REDACTED**] to demonstrate the maximum dilution that could arise as a result of exchanging the CPS for newly issued Shares within the [**REDACTED**].

(5)

[**REDACTED**]

Subscription of Series B4 CPS of FL and FGL by our Company

On 29 December 2020, a subscription agreement was entered into among FL, FGL and our Company, pursuant to which our Company was allotted and issued in each of FL and FGL 1,169,784 series B4 convertible preference shares ("**Series B4 CPS**") with a par value of US$0.01 each (the "**PCG Third [REDACTED] Investment**").

In connection with the issue of Series B4 CPS in FL and FGL, our Company also subscribed for Series B Warrants in FL and FGL which are excisable for one common share in FL and FGL, respectively, per Series B Warrant. Each Series B Warrant has an exercise price to be determined by FL and FGL upon exercise of any such warrants, provided that the exercise price of each corresponding Series B Warrant in FL and FGL shall add up to an aggregate of US$316.30. As at the Latest Practicable Date, all of the Series B Warrants subscribed by our Company have lapsed and are no longer capable of being exercised.

The table below sets out the principal terms of the PCG Third [**REDACTED**] Investment.

Name of our [REDACTED] Investor	**Our Company**
Date of investment	29 December 2020
Number of Series B4 CPS subscribed	(i) FL: 1,169,784 Series B4 CPS in FL (ii) FGL: 1,169,784 Series B4 CPS in FGL

[**REDACTED**]

Cost paid per Series B4 CPS at the time of the subscription	(i) FL: US$188.07 per Series B4 CPS in FL (ii) FGL: US$128.23 per Series B4 CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$220,000,000 (ii) FGL: US$149,999,810.22

[**REDACTED**]

Basis of determination of the consideration	The subscription consideration for the PCG Third [**REDACTED**] Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL.
Date on which the investment was fully settled	29 December 2020
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, each of such Series B4 CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest at the coupon of approximately 7.31% per annum up to the date of the [**REDACTED**] by (b) a [**REDACTED**] per FL/FGL ordinary share equivalent to the [**REDACTED**].

Note:

(1) The number of Shares held after completion of the [**REDACTED**] and approximate effective discount to the [**REDACTED**] is not applicable with respect to Series B4 CPS held by our Company as we expect to surrender our holding of convertible preference shares in FL and FGL for cancellation without issuance of additional Shares in accordance with Phase 2 of the Reorganisation.

No special rights granted to our [REDACTED] Investors of the Previous Rounds [REDACTED] Investments

Pursuant to the relevant agreements with the [**REDACTED**] Investors of the Previous Rounds [**REDACTED**] Investments and as part of Phase 2 of the Reorganisation, all existing convertible preference shares held by our [**REDACTED**] Investors of the Previous Rounds [**REDACTED**] Investments will be converted into our Shares. Such converted Shares will not be subject to any lock-up undertakings after [**REDACTED**], save for those held by our Controlling Shareholders which will be subject to lock-up requirements pursuant to the Listing Rules. For further details about our Controlling Shareholders, please refer to the section headed "*Relationship with the Controlling Shareholders*". In addition, all of our [**REDACTED**] Investors of the Previous Rounds [**REDACTED**] Investments will not be entitled to any special rights upon completion of the [**REDACTED**].

Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund, PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited

On 13 December 2021, subscription agreements were entered into between our Company and each of Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund and PCGI Holdings, pursuant to which each of Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund and PCGI Holdings was allotted and issued 63,795,853 Shares, 28,708,133 Shares, 23,923,444 Shares, 1,594,896 Shares, 11,961,722 Shares, 47,846,889 Shares and 49,441,786 Shares respectively; on 11 January 2022, a subscription agreement was entered into between our Company and ORIX Asia Capital, pursuant to which ORIX Asia Capital was allotted and issued 15,948,963 Shares; and on 12 January 2022, a subscription agreement was entered into between our Company and Huatai Growth Focus Limited, pursuant to which Huatai Growth Focus Limited was allotted and issued 15,948,963 Shares (together, the "**Final Round [REDACTED] Investment**").

The table below sets out the principal terms of the Final Round [**REDACTED**] Investment.

Name of our [REDACTED] Investor	Athene	SCB	CPP Investments	MPIC	Swiss Re PICA	DGA Capital (Master) Fund	PCGI Holdings
Date of investment	13 December 2021	13 December 2021	13 December 2021	13 December 2021	13 December 2021	13 December 2021	13 December 2021
Number of Shares subscribed	63,795,853 Shares, comprised of 55,821,371 Shares (the "**Tranche A Purchased Shares**") and 7,974,482 Shares (the "**Tranche B Purchased Shares**")	28,708,133 Shares	23,923,444 Shares	1,594,896 Shares	11,961,722 Shares	47,846,889 Shares	49,441,786 Shares
				[REDACTED]			
Cost paid per Share at the time of the subscription	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share
Total consideration for Shares subscribed at the time of the subscription	US$399,999,998.31	US$179,999,994	US$150,000,000	US$10,000,000	US$75,000,000	US$300,000,000	US$310,000,000
				[REDACTED]			
Basis of determination of the consideration	The subscription consideration for the Final Round [**REDACTED**] Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Company at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by the Group.						
Date on which the investment was fully settled	14 December 2021	15 December 2021	20 December 2021	14 December 2021	15 December 2021	15 December 2021	14 December 2021

Name of our [REDACTED] Investor	**ORIX Asia Capital**	**Huatai Growth Focus Limited**
Date of investment	11 January 2022	12 January 2022
Number of Shares subscribed	15,948,963 Shares	15,948,963 Shares

[**REDACTED**]

Cost paid per Share at the time of the subscription	US$6.27 per Share	US$6.27 per Share
Total consideration for Shares subscribed at the time of the subscription	US$100,000,000	US$100,000,000

[**REDACTED**]

Basis of determination of the consideration	The subscription consideration for the Final Round [**REDACTED**] Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Company at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by the Group.	
Date on which the investment was fully settled	14 January 2022	27 January 2022

Note:

[**REDACTED**]

Lock-up Undertakings

Pursuant to the subscription agreements, all of the [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment have agreed to be subject to a lock-up period of six months from the [**REDACTED**] (the "**Lock-up Period**") in respect of our Shares held by it, other than any sale or transfer to its affiliates (the "**Lock-up Undertakings**"). In addition to the Lock-up Period, Athene has agreed that the Tranche A Purchased Shares are subject to a lock-up period of 24 months after the closing of Athene's [**REDACTED**] Investment (such period of which expires on 13 December 2023), and the Tranche B Purchased Shares are subject to a lock-up period of 12 months after the closing of Athene's [**REDACTED**] Investment (such period of which expires on 13 December 2022).

No special rights granted to our [REDACTED] Investors of the Final Round [REDACTED] Investment

Pursuant to the relevant agreements with the [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment, the Shares held by the [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment are subject to the Lock-up Undertakings. All of our [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment will not be entitled to any special rights upon completion of the [**REDACTED**].

Use of Proceeds and Strategic Benefits from [REDACTED] Investments

The proceeds raised from the [**REDACTED**] Investments were paid to our Company for strengthening our capital, building a capital buffer to fund further growth and reducing our debt. As at the Latest Practicable Date, the proceeds received by our Company from the [**REDACTED**] Investments have been partially used for the aforesaid purposes and have not been fully utilised. Our Directors believe that our Company has benefitted and will continue to benefit from the capital raised through the [**REDACTED**] Investments, the knowledge, skills and experience of the [**REDACTED**] Investors, and the endorsement of our Company's performance, strength and prospects as reflected by the [**REDACTED**] Investments.

Public Float

Immediately following the completion of the [**REDACTED**], PCGI Holdings will hold [**REDACTED**]% of our issued Shares, and Fornax will hold [**REDACTED**]% of our issued Shares. As each of PCGI Holdings and Fornax is a substantial shareholder and a core connected person (as defined under the Listing Rules) of our Company, the Shares held by PCGI Holdings and Fornax will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Our [**REDACTED**] Investors (other than PCGI Holdings and Fornax) are not core connected persons of our Company, and the Shares held by them will be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Shareholding structure immediately following the [REDACTED] Investments

Please refer to the paragraph headed "*Corporate Structure*" in this section for the structure of our Group immediately following the completion of the [**REDACTED**] Investments and prior to the [**REDACTED**].

Joint Sponsors' Confirmation

On the basis that (i) the consideration for each of the [**REDACTED**] Investments was settled at least 28 clear days prior to the date of the first submission of the [**REDACTED**] to the Stock Exchange, and (ii) all special rights granted to any [**REDACTED**] Investor pursuant to the terms of the [**REDACTED**] Investments will be terminated upon the [**REDACTED**], the Joint Sponsors are of the view that the [**REDACTED**] Investments are in compliance with the Guidance Letters HKEX-GL29-12, HKEX-GL43-12 and HKEX-GL44-12.

Previous contemplation for possible listing on the New York Stock Exchange

We filed a registration statement on F-1 with the U.S. Securities and Exchange Commission on 24 September 2021 relating to a proposed initial [**REDACTED**] of American depositary shares representing certain ordinary shares of our Company (the "**US Listing Plan**"). Subsequently, we considered other alternatives to the US Listing Plan and on 20 December 2021, we determined not to proceed with the offering and sale of the securities pursuant to the US Listing Plan.

Background Information about our [REDACTED] Investors

Where [**REDACTED**] Investments were made by PCGI or our Company in FL and FGL, such [**REDACTED**] Investments were effectively made by and on behalf of Mr. Li, one of our Controlling Shareholders, as Mr. Li owned 100% of the issued share capital of PCGI and our Company at the time such [**REDACTED**] Investments were made.

Other than their shareholding interest in our Company or FL and/or FGL (as applicable) and as otherwise disclosed in this section and the section headed "*Relationship with the Controlling Shareholders*", our [**REDACTED**] Investors and their respective ultimate beneficial owners are independent from our Group and the connected persons of our Company.

Queensway Asset Holding and RRJ

Queensway Asset Holding is an investment holding company incorporated in the Cayman Islands on 15 March 2018 and is wholly-owned by RRJ. RRJ is an Asia-based investment fund acting through its general partner, RRJ Capital III Ltd, which is wholly-owned by an independent third party of our Company. FWD Life (Bermuda) is one of the limited partners of RRJ, holding less than 5% of the interests of RRJ.

Crimson White Investment and GIC Blue

Crimson White Investment is wholly-owned by GIC Blue. Both Crimson White Investment and GIC Blue are ultimately owned by the Minister for Finance of the Government of Singapore. The Minister for Finance is the body corporate constituted under section 2(1) of the Minister for Finance (Incorporation) Act 1959 and is a statutory corporation set up by the Government of Singapore to own and administer government assets.

Future Financial Investment and HOPU

Future Financial Investment is an investment holding company incorporated in the British Virgin Islands on 28 November 2017 which is controlled by HOPU. HOPU is a Cayman Islands limited partnership registered on 25 August 2017 acting through its general partner, HOPU Investments Co. III Ltd., which is part of and managed by HOPU Investments (an independent third party), an Asian alternative asset manager.

PCGI Holdings and PCG

PCGI Holdings is an investment holding company incorporated in the Cayman Islands. PCGI Holdings is wholly-owned by Mr. Li, a director of our Company. Mr. Li is also the founder, chairman and chief executive of PCG. For details of Mr. Li, PCGI Holdings and the relationship between Mr. Li, our Company and our directors and senior management, please refer to the sections headed "*Relationship with the Controlling Shareholders*", "*Connected Transactions*", "*Directors and Senior Management*" and "*Substantial Shareholders*".

Swiss Re PICA, Swiss Re Investments and Swiss Re

Each of Swiss Re PICA (a company incorporated in Singapore) and Swiss Re Investments (a company incorporated in Switzerland) is an indirect wholly-owned subsidiary of Swiss Re which in turn is a wholly-owned subsidiary of Swiss Re Ltd. The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. Swiss Re Ltd is listed on the SIX Swiss Exchange (stock code: SREN) and its shares are widely held with no single substantial shareholder. BlackRock, Inc. and UBS Fund Management (Switzerland) AG are the only shareholders holding more than 3% of the voting rights of Swiss Re Ltd's share capital as of the Latest Practicable Date.

A number of our subsidiaries have entered into reinsurance arrangements in relation to our products with the Swiss Re Group. For further details, please refer to the section headed "*Business – Reinsurance*".

In addition to being a [**REDACTED**] Investor of the Final Round [**REDACTED**] Investment, Swiss Re PICA holds preference shares and convertible preference shares in each of FL and FGL, which shall be acquired in consideration for Shares to be issued in accordance with the Implementation Agreement in Phase 2 of the Reorganisation. For further details, please refer to the sections "*– Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*" and the sections headed "*Substantial Shareholders*" and "*Appendix V – Statutory and General Information*".

Swiss Re PICA has exercised rights to appoint one director (Mr. Guido FÜRER) to our board. For further details of the relationship between the Swiss Re Group and our directors and senior management, please refer to the section headed "*Directors and Senior Management*".

Fornax

Fornax, a private exempted company incorporated in the British Virgin Islands, is wholly-owned by Fornax Holding Company Limited, which in turn is wholly-owned by the Falcon 2019 Co-Invest A, L.P., a Cayman Islands limited partnership in which Falcon 2019 Co-Invest GP acts as the general partner, and Spring Achiever Limited and Fornax Management Holding Company Limited act as the limited partners. Spring Achiever Limited is ultimately controlled by Mr. Li, and Fornax Management Holding Company Limited is ultimately controlled by an independent third party. For further details, please refer to the sections *"Substantial Shareholders"* and *"Relationship with the Controlling Shareholders"*.

Mr. Wong

Mr. Wong is a private investor and currently a senior vice president of PCG. Mr. Wong is certified as a chartered financial analyst (CFA) and also serves as Chief Executive Officer, Chief Financial Officer and a Director of Bridgetown Holdings Limited and Bridgetown 2 Holdings Limited. Other than his employment in PCG, which is wholly-owned by a Controlling Shareholder of our Company, Mr. Wong is an independent third party of our Company.

Athene

Athene is a Bermuda-based reinsurance company and a subsidiary of Athene Holding Ltd. ("**AHL**"), a leading financial services company specialising in retirement services. AHL is wholly owned by Apollo Global Management ("**AGM**"), which is Athene's ultimate beneficial owner (an independent third party) and is a leading global investment manager. The net invested assets of AHL and its subsidiaries are substantially managed by affiliates of AGM.

Our company has entered into certain investment management agreements with one or more affiliates of AGM to manage part of our company's investment portfolio. For details, please refer to "*Business – Investments and Asset Management – Outsourced Investment Managers*".

SCB

SCB is the first Thai bank and a leader in providing financial services in Thailand with more than 110 years in business. SCB is a leading universal bank, offering deposits and lending and a wide range of other products and services to meet the needs of all customers. SCB's services are backed by its extensive banking network and continuous pursuit of technological innovation. SCB X Public Company Limited (SCBX), a SET listed holding company, is the largest shareholder of SCB, owning 99.06% of SCB shares as at the Latest Practicable Date. In September 2019, FWD acquired an equity interest of 99.2% in SCB Life, which amalgamated with FWD Thailand in October 2020. In connection with this acquisition, FWD Thailand entered into a 15-year exclusive bancassurance partnership with SCB. For details, please refer to "*History, Reorganisation and Corporate Structure – Major Acquisitions and Disposals.*"

CPP Investments

CPP Investments is a professional investment management organisation that manages the fund in the best interest of the more than 21 million contributors and beneficiaries of the Canada Pension Plan. It is incorporated as a federal Crown corporation by an Act of the Canadian parliament and is governed by its board of directors. CPP Investments is governed and managed independently of the Canada Pension Plan and at arm's length from governments. In order to build diversified portfolios of assets, investments are made around the world in public equities, private equities, real estate, infrastructure and fixed income. CPP Investments is headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney. As of 31 March 2022, the fund totalled C$539 billion. CPP Investments is an independent third party of our Company.

MPIC

MPIC is a Philippine-based, publicly listed investment management and holding company registered with the Philippine Securities Exchange Commission and listed on the Philippine Stock Exchange (PSE: MPI). MPIC is a leading infrastructure holding company with a diverse set of assets held through its operating companies. MPIC's portfolio of infrastructure assets includes power, toll roads, and water, as well as healthcare and light rail, which are all primarily located in the Philippines. First Pacific Company Limited, a Hong Kong-based investment management and holding company with operations located in Asia-Pacific whose shares are listed on the Main Board of the Stock Exchange (142.HK), holds approximately 45.2% economic interest in MPIC as at the Latest Practicable Date. The largest shareholder of First Pacific Company Limited is Mr. Anthoni Salim (an independent third party), who is holding approximately 45.2% interests in First Pacific Company Limited as at the Latest Practicable Date.

DGA Capital (Master) Fund

DGA Capital (Master) Fund is a Cayman Islands exempted limited partnership of which DGA Capital (Master) GP Limited serves as the general partner and the investment activities of DGA Capital (Master) Fund are managed by Jinghui Capital Limited, a company incorporated in Hong Kong in 27 October 2017 and licensed for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (CE Number: BND663) subject to the overall control and supervision of DGA Capital (Master) GP Limited, the general partner of DGA Capital (Master) Fund. The sole limited partner of DGA Capital (Master) Fund at its first closing is Magic Thunder Limited, a limited company incorporated in the British Virgin Islands and an indirectly wholly-owned subsidiary of Li Ka Shing Foundation 2020, a Cayman Islands company limited by guarantee.

ORIX Asia Capital

ORIX Asia Capital, a wholly-owned subsidiary of ORIX, is the investment platform for ORIX in the Greater China region. Built on ORIX's reputation, experiences, resources and network, ORIX Asia Capital has invested in many leading companies from various sectors including renewable energy, infrastructure, healthcare, consumer, and Fintech etc. ORIX Asia Capital has been considered a strategic partner with strong commitment to the long-term development of the portfolio companies.

ORIX (TSE: 8591; NYSE: IX) is a financial services group which provides innovative products and services to its customers by constantly pursuing new businesses.

Established in 1964, from its start in the leasing business, ORIX has advanced into neighbouring fields and at present has expanded into lending, investment, life insurance, banking, asset management, automobile related, real estate and environment and energy related businesses. Since entering Hong Kong in 1971, ORIX has spread its businesses globally by establishing locations in 28 countries and regions across the world.

The largest shareholder of ORIX is The Master Trust Bank of Japan, Ltd. (an independent third party), which is holding approximately 18.82% interests in ORIX as at the Latest Practicable Date.

Huatai Growth Focus Limited

Huatai Growth Focus Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Huatai Fund, an exempted limited partnership formed under the laws of the Cayman Islands. The general partner of Huatai Fund is a wholly-owned subsidiary of Huatai Financial.

Huatai Financial is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Huatai Financial is ultimately owned by Huatai Securities, a company listed on the Main Board of the Stock Exchange (6886.HK), the Shanghai Stock Exchange (601688.SH) and the global depository receipts of Huatai Securities have been listed on the London Stock Exchange (HTSC.LSE). Huatai Securities is engaged in the securities business, including brokerage, securities underwriting, asset management, investment banking, and online exchange services. The de facto controller of Huatai Securities is State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (an independent third party).

Huatai Securities' relationship with PCG exists in the form of a joint venture named HP. Huatai Securities and PineBridge formed HP for which each party holds 49% and the remaining 2% is held by a third party. PineBridge is majority-owned and controlled by PCG (save for the minority interests owned by directors, management and consultants of PineBridge Group), which is owned and controlled by certain trusts in respect of which Mr. Li is the founder.

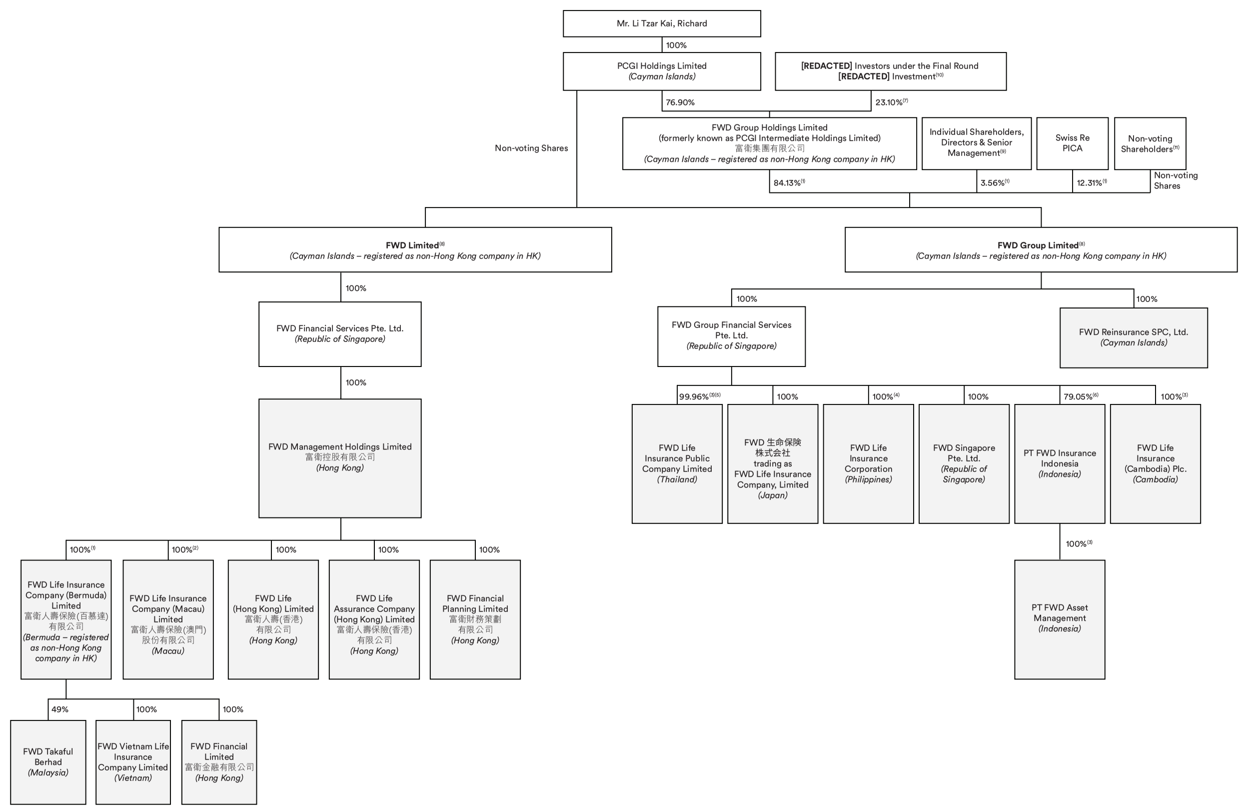
EQUITY INCENTIVE PLANS

Our Group has adopted the Share Option and RSU Plan, the Share Award Plan and the Employee Share Purchase Plan. Please refer to the section headed "*Appendix V – Statutory and General Information – D. Equity Incentive Plans*" for details of our [**REDACTED**] Awards.

CORPORATE STRUCTURE

The following diagrams illustrate our corporate and shareholding structure: (1) as at the date of this document and immediately before commencement of Phase 2 of the Reorganisation; (2) upon completion of Phase 2 of the Reorganisation but prior to completion of the [**REDACTED**] and the [**REDACTED**] (assuming the CPS of FL and FGL are converted to Shares based on the [**REDACTED**] and the expected [**REDACTED**] of [**REDACTED**]); and (3) immediately following the completion of the [**REDACTED**].

(1) As at the date of this document and immediately before commencement of Phase 2 of the Reorganisation:



Notes:

* The entities in boxes shaded in grey are insurance operating subsidiaries of our Group.

(1) Percentage of total voting rights.

(2) Represents the beneficial interest owned by FWD Management Holdings Limited.

(3) Represents the direct and indirect interest held by our Group (including through contractual arrangements).

(4) Represents the beneficial interest owned by FWD Group Financial Services Pte. Ltd.

(5) The remaining 0.04% in FWD Life Insurance Public Company Limited is held by (i) Jiravat Kosapanyatham, Apirak Chitranondh and Peamphanyapa Phanyapavee as to 0.00000003%, 0.00000003% and 0.000001%, respectively, each of which is a current director of FWD Life Insurance Public Company Limited, (ii) Krit Chitranapawong as to 0.00000003%, who is a current member of senior management of FWD Life Insurance Public Company Limited, (iii) 32 minority shareholders each as to less than 0.000001%, all of which are linked to the Group solely by virtue of being current or former employees of the Group and (iv) 163 other minority shareholders each as to less than 0.0201332%, all of which are independent third parties.

(6) The remaining 20.95% in PT FWD Insurance Indonesia is held by PT. Surya Elok Kencana and Rahendrawan as to approximately 20.94883% and 0.00001%, respectively, both of which are independent third parties.

(7) Percentage of total issued share capital: Athene (7.02%); SCB (3.16%); CPP Investments (2.63%); MPIC (0.18%); Swiss Re PICA (1.32%); DGA Capital (Master) Fund (5.27%); ORIX Asia Capital (1.76%); Huatai Growth Focus Limited (1.76%).

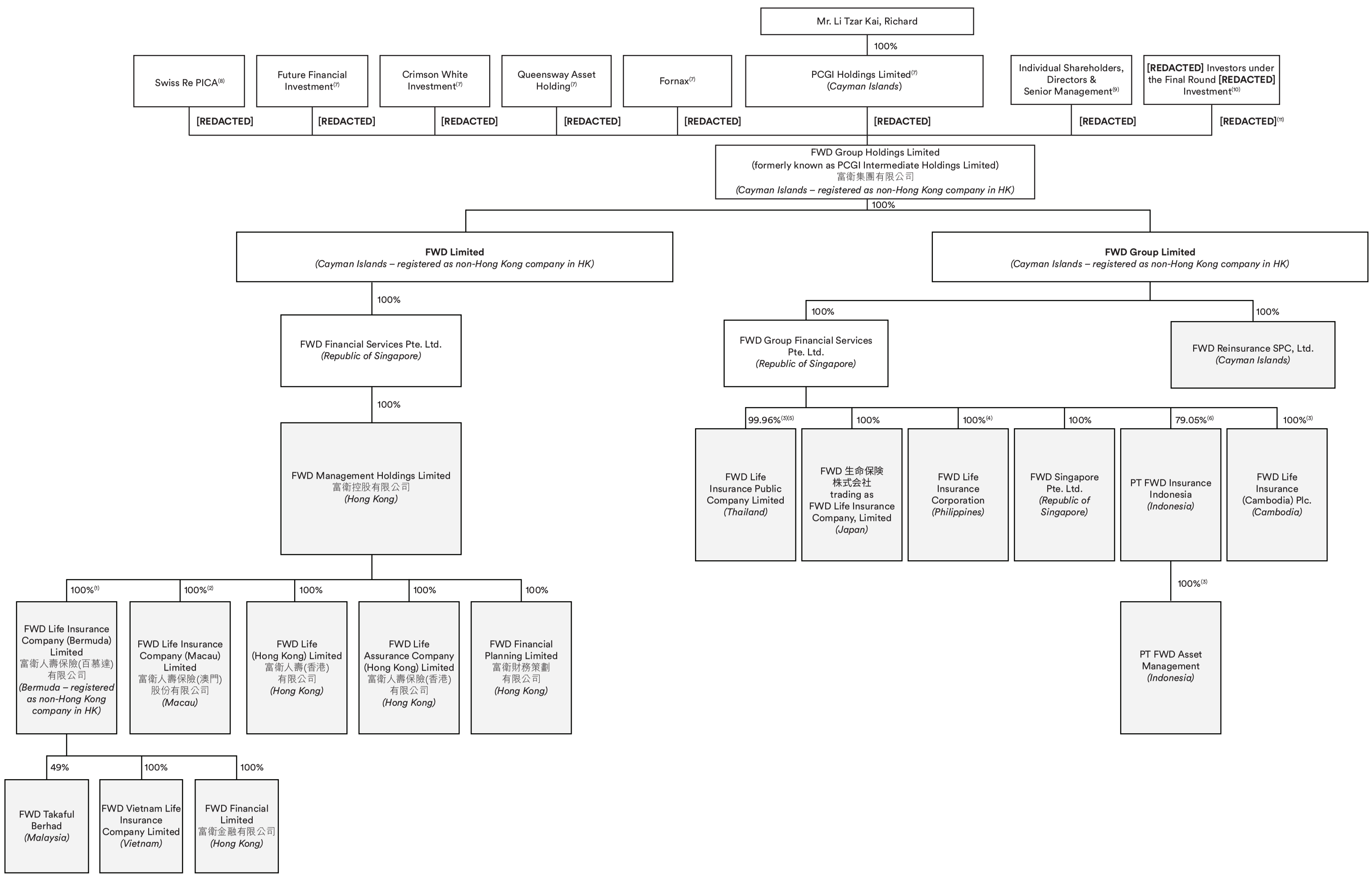
(8) Percentage of total issued share capital: FWD Group Holdings Limited (72.22%); Swiss Re PICA (11.24%); Future Financial Investment (1.22%); Crimson White Investment (0.75%); Queensway Asset Holding (0.45%); Fornax (9.90%); PCGI Holdings (1.47%); Individual Shareholders, Directors and Senior Management (2.76%).

(9) These being: (i) Huynh Thanh Phong, Ronald Joseph Arculli, Craig Alan Merdian, Peter Karl Grimes, Jon Paul Nielsen, Apirak Chitranondh, Krit Chitranapawong, Lau Soon Liang, David John Korunic, Shum Xian Shelyne Ailing, Anantharaman Sridharan, Binayak Dutta, Lo Kwok Chung Raymond, Tsuyoshi Ichihara, Ryuji Kaneda, Wong Kwan Kit, Zhuang Li Hao, Law Yim Ling, Chow Hun Chi Julie, Nicolas Rodriguez, Law Lai Yee Cecilia, Tse Chun Kwok, Takahiro Ogasawara, Huynh Huu Khang and Lau Chi Kin (being directors or senior management of our Group); (ii) Suwimon Thangnisaitrong, Poramasiri Manolamai and Paul Andrew Carrett (being former directors or senior management of our Group); and (iii) Wong Ka Kit.

(10) [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment other than PCGI Holdings Limited. Please refer to the paragraph headed "*History, Reorganisation and Corporate Structure* – [**REDACTED**] *Investment – Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master)* Fund, *PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited*" for further details.

(11) These being: (i) Crimson White Investment; (ii) Fornax; (iii) Future Financial Investment; (iv) our Company; (v) PCGI Holdings; (vi) Queensway Asset Holding; and (vii) Swiss Re PICA.

(2) Upon completion of Phase 2 of the Reorganisation but prior to completion of the [**REDACTED**] and the [**REDACTED**] (assuming the CPS of FL and FGL are converted to Shares based on the [**REDACTED**] and the expected [**REDACTED**] of [**REDACTED**]):



Notes:

* The entities in boxes shaded in grey are insurance operating subsidiaries of our Group.

(1) Percentage of total voting rights.

(2) Represents the beneficial interest owned by FWD Management Holdings Limited.

(3) Represents the direct and indirect interest held by our Group (including through contractual arrangements).

(4) Represents the beneficial interest owned by FWD Group Financial Services Pte. Ltd.

(5) The remaining 0.04% in FWD Life Insurance Public Company Limited is held by (i) Jiravat Kosapanyatham, Apirak Chitranondh and Peamphanyapa Phanyapavee as to 0.00000003%, 0.00000003% and 0.000001%, respectively, each of which is a current director of FWD Life Insurance Public Company Limited, (ii) Krit Chitranapawong as to 0.00000003%, who is a current member of senior management of FWD Life Insurance Public Company Limited, (iii) 32 minority shareholders each as to less than 0.000001%, all of which are linked to the Group solely by virtue of being current or former employees of the Group and (iv) 163 other minority shareholders each as to less than 0.0201332%, all of which are independent third parties.

(6) The remaining 20.95% in PT FWD Insurance Indonesia is held by PT. Surya Elok Kencana and Rahendrawan as to approximately 20.94883% and 0.00001%, respectively, both of which are independent third parties.

(7) Reflects the Shares issued to Future Financial Investment, Crimson White Investment, Queensway Asset Holding, Fornax and PCGI Holdings as a result of conversion of each of their respective interests held in FL and FGL pursuant to Phase 2 of the Reorganisation. For further details in respect of calculations of the number of Shares converted from the ordinary shares, preference shares and CPS of FL and FGL as a result of Phase 2 of the Reorganisation, please refer to the section headed "*History, Reorganisation and Corporate Structure – Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*".

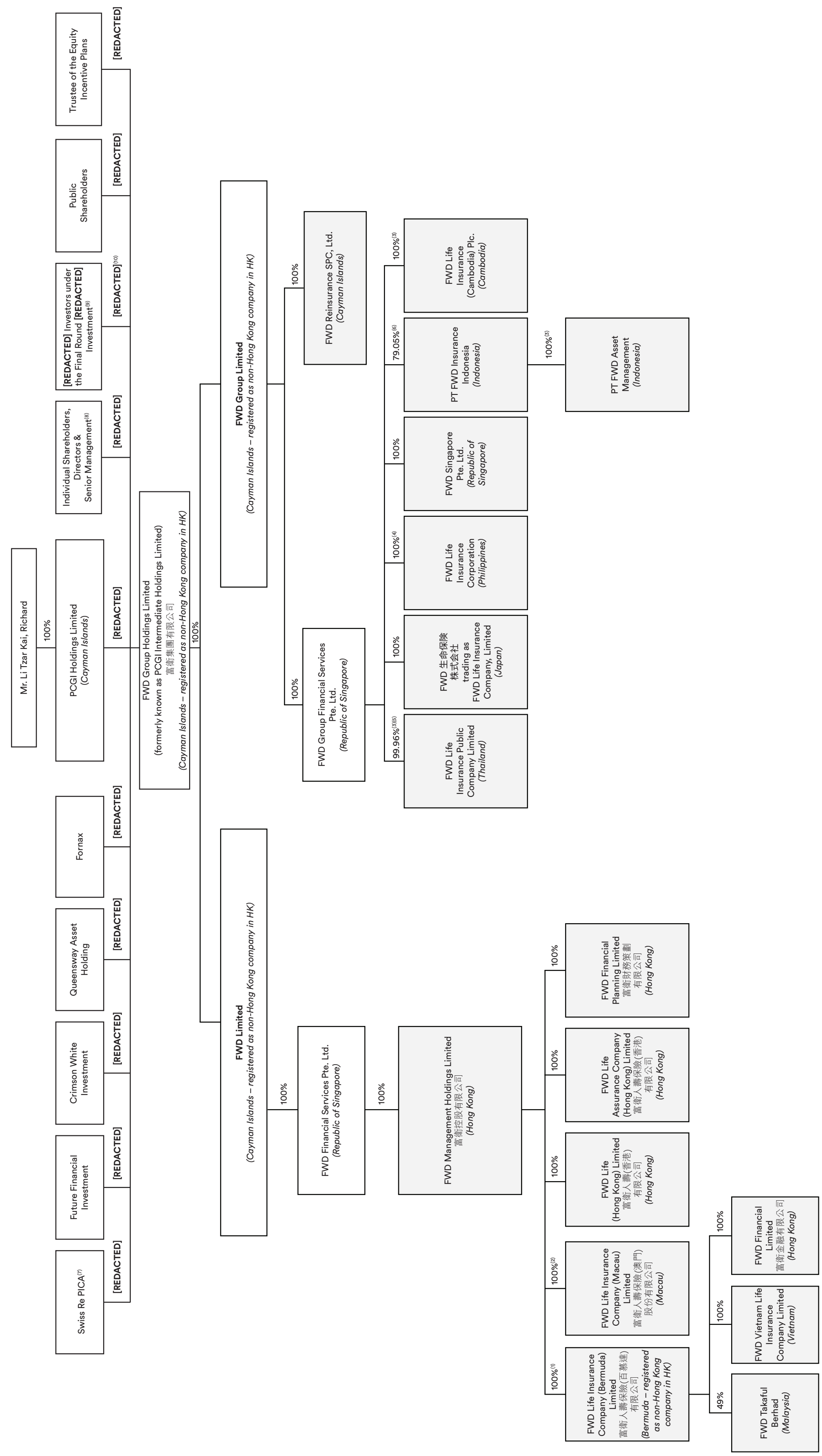
(8) Reflects the interests held by Swiss Re PICA in FWD Group Holdings Limited (i) by virtue of its interests in FL and FGL and as a result of the completion of Phase 2 of the Reorganisation and (ii) by virtue of Swiss Re PICA's participation as a [**REDACTED**] Investor under the Final Round [**REDACTED**] Investment.

(9) These being: (i) Huynh Thanh Phong, Ronald Joseph Arculli, Craig Alan Merdian, Peter Karl Grimes, Jon Paul Nielsen, Apirak Chitranondh, Krit Chitranapawong, Lau Soon Liang, David John Korunic, Shum Xian Shelyne Ailing, Anantharaman Sridharan, Binayak Dutta, Lo Kwok Chung Raymond, Tsuyoshi Ichihara, Ryuji Kaneda, Wong Kwan Kit, Zhuang Li Hao, Law Yim Ling, Chow Hun Chi Julie, Nicolas Rodriguez, Law Lai Yee Cecilia, Tse Chun Kwok, Takahiro Ogasawara, Huynh Huu Khang and Lau Chi Kin (being directors or senior management of our Group); (ii) Suwimon Thangnisaitrong, Poramasiri Manolamai and Paul Andrew Carrett (being former directors or senior management of our Group); and (iii) Wong Ka Kit.

(10) [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment other than PCGI Holdings Limited and Swiss Re PICA. Please refer to the paragraph headed "*History, Reorganisation and Corporate Structure –* [**REDACTED**] *Investment – Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund, PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited*" for further details.

(11) Percentage of total issued share capital: Athene [**REDACTED**]; SCB [**REDACTED**]; CPP Investments [**REDACTED**]; MPIC [**REDACTED**]; DGA Capital (Master) Fund [**REDACTED**]; ORIX Asia Capital [**REDACTED**]; Huatai Growth Focus Limited [**REDACTED**].

(3) Immediately following the completion of the [REDACTED]:



Notes:

* The entities in boxes shaded in grey are insurance operating subsidiaries of our Group.

(1) Percentage of total voting rights.

(2) Represents the beneficial interest owned by FWD Management Holdings Limited.

(3) Represents the direct and indirect interest held by our Group (including through contractual arrangements).

(4) Represents the beneficial interest owned by FWD Group Financial Services Pte. Ltd.

(5) The remaining 0.04% in FWD Life Insurance Public Company Limited is held by (i) Jiravat Kosapanyatham, Apirak Chitranondh and Peamphanyapa Phanyapavee as to 0.00000003%, 0.00000003% and 0.000001%, respectively, each of which is a current director of FWD Life Insurance Public Company Limited, (ii) Krit Chitranapawong as to 0.00000003%, who is a current member of senior management of FWD Life Insurance Public Company Limited, (iii) 32 minority shareholders each as to less than 0.000001%, all of which are linked to the Group solely by virtue of being current or former employees of the Group and (iv) 163 other minority shareholders each as to less than 0.0201332%, all of which are independent third parties.

(6) The remaining 20.95% in PT FWD Insurance Indonesia is held by PT. Surya Elok Kencana and Rahendrawan as to approximately 20.94883% and 0.00001%, respectively, both of which are independent third parties.

(7) Reflects the interests held by Swiss Re PICA in FWD Group Holdings Limited (i) by virtue of its interests in FL and FGL and as a result of the completion of Phase 2 of the Reorganisation and (ii) by virtue of Swiss Re PICA's participation as a [**REDACTED**] Investor under the Final Round [**REDACTED**] Investment.

(8) These being: (i) Huynh Thanh Phong, Ronald Joseph Arculli, Craig Alan Merdian, Peter Karl Grimes, Jon Paul Nielsen, Apirak Chitranondh, Krit Chitranapawong, Lau Soon Liang, David John Korunic, Shum Xian Shelyne Ailing, Anantharaman Sridharan, Binayak Dutta, Lo Kwok Chung Raymond, Tsuyoshi Ichihara, Ryuji Kaneda, Wong Kwan Kit, Zhuang Li Hao, Law Yim Ling, Chow Hun Chi Julie, Nicolas Rodriguez, Law Lai Yee Cecilia, Tse Chun Kwok, Takahiro Ogasawara, Huynh Huu Khang and Lau Chi Kin (being directors or senior management of our Group); (ii) Suwimon Thangnisaitrong, Poramasiri Manolamai and Paul Andrew Carrett (being former directors or senior management of our Group); and (iii) Wong Ka Kit.

(9) [**REDACTED**] Investors of the Final Round [**REDACTED**] Investment other than PCGI Holdings Limited and Swiss Re PICA. Please refer to the paragraph headed "*History, Reorganisation and Corporate Structure –* [**REDACTED**] *Investment – Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund, PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited*" for further details.

(10) Percentage of total issued share capital: Athene [**REDACTED**]; SCB [**REDACTED**]; CPP Investments [**REDACTED**]; MPIC [**REDACTED**]; DGA Capital (Master) Fund [**REDACTED**]; ORIX Asia Capital [**REDACTED**]; Huatai Growth Focus Limited [**REDACTED**].

*This section contains information relating to our industry and the trends that are shaping its development. Certain facts, statistics and data presented in this section and elsewhere in this document have been derived, in part, from various publicly available government and official sources, independent third-party sources and publications. We also commissioned an independent industry consultant, NMG, to prepare a report upon which this Industry section is based (the "**NMG Report**"). In the course of its research, NMG conducted primary and secondary research, and the sources used are considered by NMG to be reliable. All data, including forecasts, referenced in this section is from the NMG Report, unless otherwise specified.*

We believe that the sources of the information relating to our industry in this section and elsewhere in this document are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information included herein that is based on or derived from government and official sources has not been independently verified by us or the [**REDACTED**]*, and no representation is given as to its correctness, accuracy and completeness.*

Further, in relation to the facts, forecasts and other statistics which have been taken from government and official sources or statements, neither we nor the Relevant Persons are responsible for the accuracy, reliability and/or completeness of such information.

We have agreed to pay NMG a fee of US$1,025,000 for the preparation of the NMG Report. The fee is not contingent upon the completion of the [**REDACTED**].

Introduction

The life insurance industry offers a broad range of products that address three core customer needs: (i) savings and investment, (ii) protection from the financial implications of illness, morbidity and mortality and (iii) retirement income. Typical savings and investment products include endowments, unit-linked products and participating life insurance products. Protection products include medical and health insurance products as well as products protecting against accidents, critical illness, disability and death. Annuity products provide policyholders with income after they retire.

This section principally focuses on the life insurance industry in the markets in which we operate, namely Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Comparisons are also provided to four markets in which we do not currently operate but which have a sizeable life insurance industry, namely mainland China, India, South Korea and Taiwan. In this section, unless stated otherwise: (i) information and statistics provided for Asia relate to the markets in which we operate and the four comparable markets and (ii) information and statistics provided for Southeast Asia relate to Thailand (and Cambodia), the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

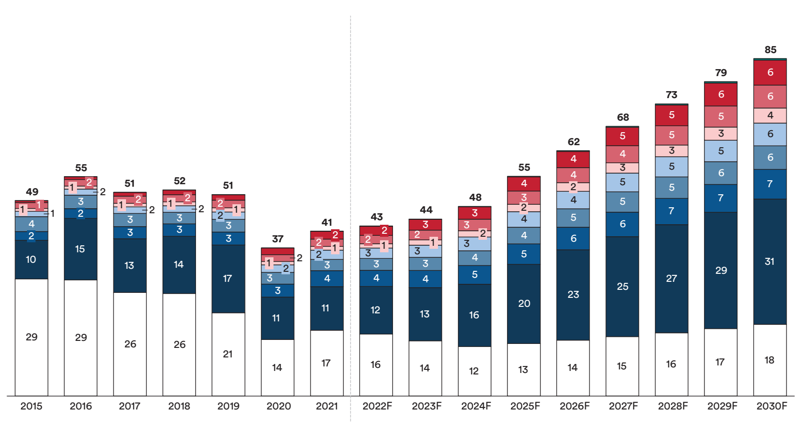
This section discusses five key themes that characterise the current landscape and future growth of the Asia life insurance industry.

The Asia life insurance industry continues to exhibit robust growth driven by structural and macroeconomic factors.

Market size and growth

Asia is one of the largest life insurance markets globally, with ~37% of global life insurance gross written premiums, or GWP, generated in Asia in 2021. Asia generated an estimated US$1,094 billion of life insurance GWP in 2021, 40% of which was originated in the markets in which we operate. Life insurance GWP in Asia is expected to reach US$1,911 billion in 2030. Life insurance APE in our markets grew at a CAGR of 0.8% from 2015 to 2019, (2.8%) from 2015 to 2021 (impacted by the COVID-19 pandemic), and 8.3% from 2021 to 2030, as illustrated in the chart below.

FWD Markets – Individual Life Insurance New Business
(APE, in US$ billions)[1]



Market	CAGR 2015-19	CAGR 2021-30F
Cambodia	26.9%	25.2%
Vietnam	29.0%	13.7%
Indonesia	7.3%	13.7%
Philippines	9.6%	16.4%
Malaysia	8.5%	10.5%
Thailand	(3.8%)	8.6%
Singapore	9.6%	7.1%
HK & Macau	15.2%	12.5%
Japan	(8.2%)	0.9%
FWD Markets	**0.8%**	**8.3%**
FWD SEA Markets	**6.1%**	**10.9%**
FWD Markets ex. Japan	**10.8%**	**11.6%**

CAGR 2015-21 across FWD Markets was (2.8%), driven by the COVID-19 pandemic's impact on 2020/21 volumes

Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

(1) Static FX rates as at 30 June 2021. APE defined consistently with the definition under "Definitions and Glossary" with the exception of Japan and Singapore. Singapore: Same as the definition under "Definitions and Glossary" with the exception of new regular premium policies where the premium payment duration is less than 10 years, in which case premiums are adjusted to weighted new business premiums. Japan: Similar methodology to Singapore, but applied to all policies and based on contract period rather than premium payment period (i.e., annualised premiums).

Life insurance is currently primarily distributed through face-to-face interactions with intermediaries. The COVID-19 pandemic in 2020 had a significant impact on intermediaries' ability to distribute to consumers, resulting in a material decline in APE. However, based on the NMG Asia Life Consumer Study, experience across global life insurance markets and historical market momentum, underlying customer awareness and appreciation of the importance of life insurance remains. As COVID-19 restrictions are lifted and intermediaries' ability to interact with customers through face-to-face meetings returns, APE volumes are expected to return to pre-COVID-19 growth rates. APE growth is expected to accelerate across all markets in the long-term on the back of increased customer awareness of the need for life and health coverage, as well as through the industry digitising across the value chain and customer journey, ultimately enhancing their ability to reach and convert consumers, reducing the protection gap.

While there is significant uncertainty in the short-term associated with COVID-19, the significant projected future long-term increase in life insurance APE across the FWD Markets remains unchanged. COVID-19 has not materially impacted the long-term fundamental drivers/basis that underpin these forecasts (including but not limited to: fundamental population, demographic and macroeconomic drivers, consumer perceptions of life insurance and trust in insurers, in conjunction with the realisation of digitisation initiatives by providers).

We operate in seven of the ten fastest-growing markets in Asia, the majority of which are in Southeast Asia. Southeast Asia and mainland China are expected to be the key drivers of growth in the Asia life insurance market, given the population base, the proportion of the middle class in the overall population, and the larger protection gap, compared to the rest of the Asia region.

Structural macroeconomic growth drivers

The growth of the Asia life insurance market and the forecasts of NMG above are based on a number of demographic and macroeconomic factors, as discussed below.

Favourable demographics with a young and growing population

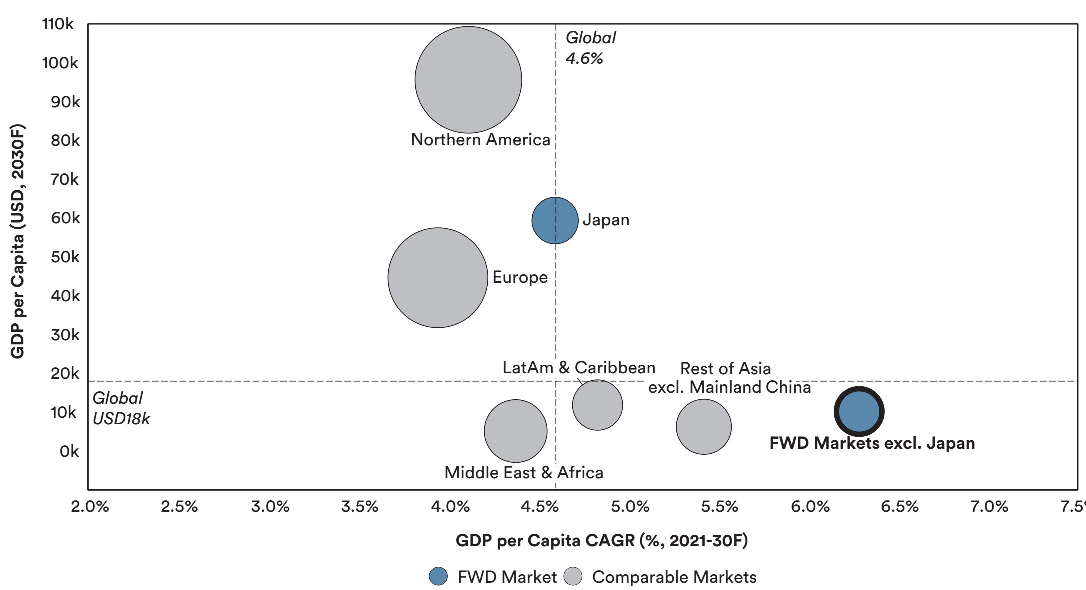
Many of our markets have strong population growth, and also enjoy a younger demographic. Asia had a total population of approximately 3.7 billion as of 31 December 2021, 60% of which was under the age of 40. The overall population size in the markets where we operate was 746 million as of 31 December 2021, which is expected to grow to 782 million by 2030. The under-40 population in Asia was 2,208 million in 2021, whereas in Europe and in North America, the equivalent population was 354 million and 198 million, respectively. In our markets, the under-40 population grew from 446 million in 2015 to 448 million in 2021, accounting for 60% of the total 2021 population. In particular, the total population of

Southeast Asia reached more than 610 million as of 2021, 65% of which was under the age of 40. The median age in our markets was 34 years as of 2021, compared to 34 years for Asia as a whole, 48 years for Japan, 38 years for China and 29 years for the rest of Asia (excluding our markets).

Growing wealth and expanding middle class

The GDP per capita of our markets grew at a CAGR of 2.1% from 2015 to 2021, reaching approximately US$11,500 at the end of 2021. It is expected to further grow approximately by 1.5 times from 2021 to 2030, or at a CAGR of 4.9% (or 1.7 times from 2021 to 2030, excluding Japan, or at a CAGR of 6.3%), compared with forecasted global GDP per capita growth of 4.6% over the same period. Also from 2015 to 2021, GDP per capita in the markets of Southeast Asia in which we operate grew almost 1.3 times as fast as the global average. Average per capita gross savings of our markets reached approximately US$3,350 as of the end of 2021. Per capita gross national income, or GNI, for the Southeast Asia markets where we operate, grew at a CAGR of 3.6% over the past six years, compared to the global average of 3.0%. The following chart illustrates per capita GDP growth by region and across our markets.

GDP per Capita and Growth by Region



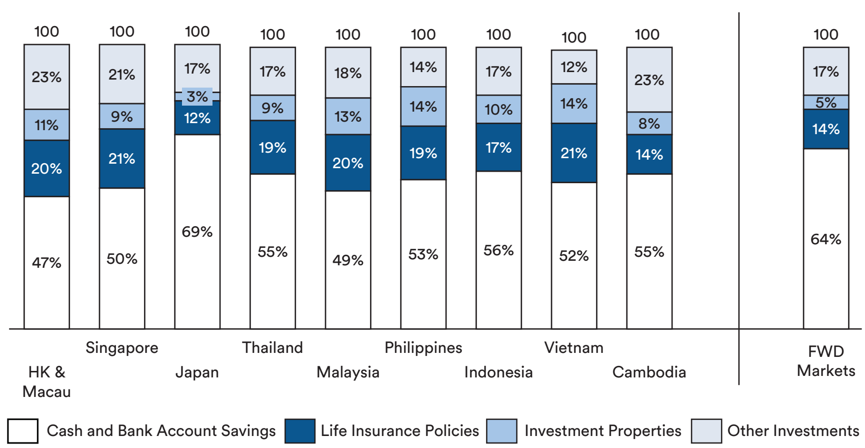
Source: NMG, United Nations, World Bank, IMF

Note: Area of bubbles represent the region's forecasted GDP in 2030.

The rising income levels in our markets are expected to create opportunities for life insurance companies to capitalise on the increasing savings and investable wealth in those markets. In particular, the middle class population, which is the population classified with daily income between US$10 and US$100 per person in 2005 purchasing power parity terms, grew by 2.5% from 2015 to 2021 in our markets, compared to the global average growth of 2.3% over the same period. The middle class accounted for 62% of the total population of our markets at the end of 2021, compared to the global average of 49%. In particular, the middle class population in Southeast Asia is expected to grow by approximately 158 million in the next nine years.

A significant portion of the investable wealth in our markets is currently allocated to cash and bank savings, which, on average, accounted for 64% of the total investable wealth of our markets in 2022. Given these surplus funds and low interest rates, there is significant potential in these markets for customers to increase the allocation of their investable wealth to life insurance policies, particularly as their average income and savings increase. The chart below sets forth the breakdown of the average investable wealth distribution by asset type across our markets in 2022.

Average Investable Wealth Distribution by Asset Type
(%, 2022)



Source: Credit Suisse Global Wealth Databook 2021, NMG Asia Life Consumer Study 2022

Sizeable protection gap across the Asia region

The growth of the life insurance market is also driven by the mortality and health protection gaps. The mortality protection gap is the shortfall between the financial resources a household needs versus what is available, to maintain its living standard in the event of the premature death of the primary income earner and the health protection gap is the cost of stressful self-financing or forgoing healthcare due to unaffordability, both measured in annualised premium equivalent terms. The protection gap APE for Asia was US$759 billion at the end of 2021, including US$5 billion for Hong Kong (and Macau), US$4 billion for Thailand, US$46 billion for Japan, US$23 billion for Indonesia, US$12 billion for Malaysia, US$8 billion for the Philippines, US$9 billion for Vietnam, US$4 billion for Singapore, US$0.2 billion for Cambodia, US$298 billion for mainland China and US$174 billion for the rest of Asia.

The following chart illustrates the demographic and macroeconomic growth drivers for Asia:

Key Individual In-Scope Market Metrics

Market	Life Insurance GWP 2015-21 CAGR (%)	Population (m)	Income per Capita Growth[1]	Protection Gap (USD bn)	Life Insurance Penetration[2]	Mobile Penetration	Internet Penetration
Cambodia	>35%	17	5.8%	0.2	0.7%	76%	53%
Vietnam	26.8%	97	6.3%	8.7	1.9%	84%	73%
Singapore	12.5%	6	2.5%	4.4	9.5%	98%	68%
India	11.9%	1,408	5.9%	131.9	3.2%	60%	51%
Mainland China	10.1%	1,426	7.7%	298.3	2.1%	92%	73%
Philippines	8.6%	114	1.3%	8.5	1.6%	73%	68%
HK & Macau	8.1%	8	2.7%	4.7	15.7%	98%	92%
Malaysia	7.5%	34	2.2%	11.8	3.9%	89%	90%
Indonesia	7.2%	274	4.6%	23.2	1.2%	74%	59%
Thailand	2.4%	72	3.9%	4.1	3.8%	96%	68%
South Korea	0.2%	52	3.3%	30.9	6.0%	97%	97%
Taiwan	(0.3%)	24	6.0%	11.3	11.7%	98%	91%
Japan	(3.7%)	125	2.1%	46.4	5.6%	97%	92%

FWD Markets   Other Asia Markets

Source: NMG Asia Life Insurance Market Model, Swiss Re, United Nations, World Bank, IMF, World Data Lab, GSMA, GWP statistics published by each market's regulatory body and local life insurance association

(1) GNI per capita CAGR from 2015-2021.

(2) as % of GDP.

In response to the COVID-19 pandemic, we have observed several trends to emerge in Asia's life insurance market, including (i) current low interest rate environment; (ii) enhanced consumer awareness for health and protection products; (iii) online and digital engagement with customers becoming the prevailing methods of engagement not only for purchasing but end-to-end servicing; (iv) life insurance companies competing based on their innovation capabilities and their speed to market; and (v) increasing importance of ecosystem partnerships.

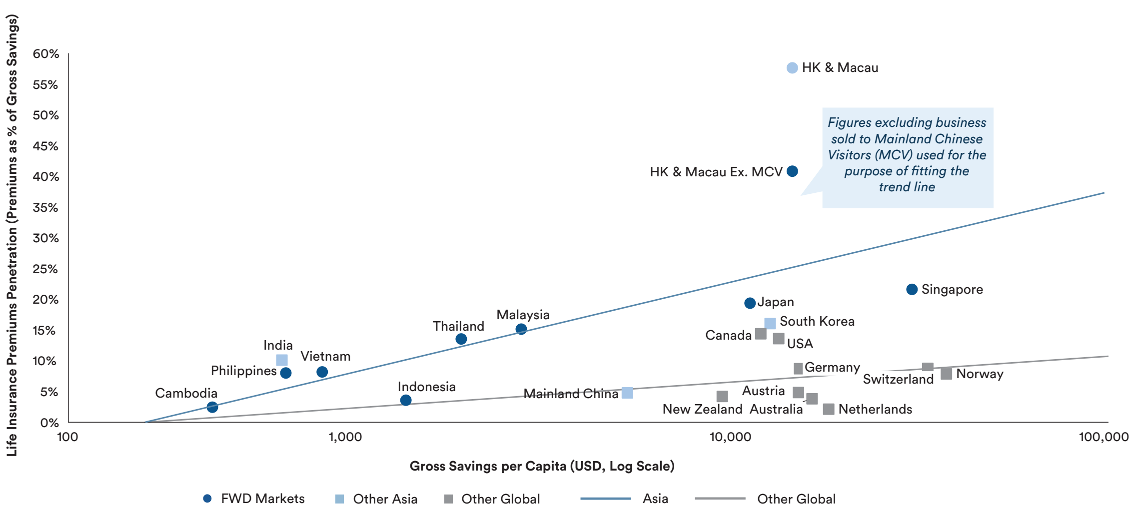
There is a substantial underserved insurance "white space" with significant lifetime value.

Life insurance penetration

The emerging markets in Asia, including our markets such as Thailand, Cambodia, the Philippines, Indonesia, Vietnam and Malaysia, currently have significant potential for life insurance penetration. In Asia, life insurance premiums per capita are at only US$294 and the ratio of life insurance premiums to gross savings is 8.9%. The ratio of life insurance premiums to gross savings in North America and Europe is 12.1 %and 14.9%, respectively. This indicates significant growth opportunities for emerging markets in the Asia region. The chart below illustrates the life insurance penetration rates by market as of the end of 2021.

Life Insurance Penetration

(Premiums as % of Gross Savings, 2021)



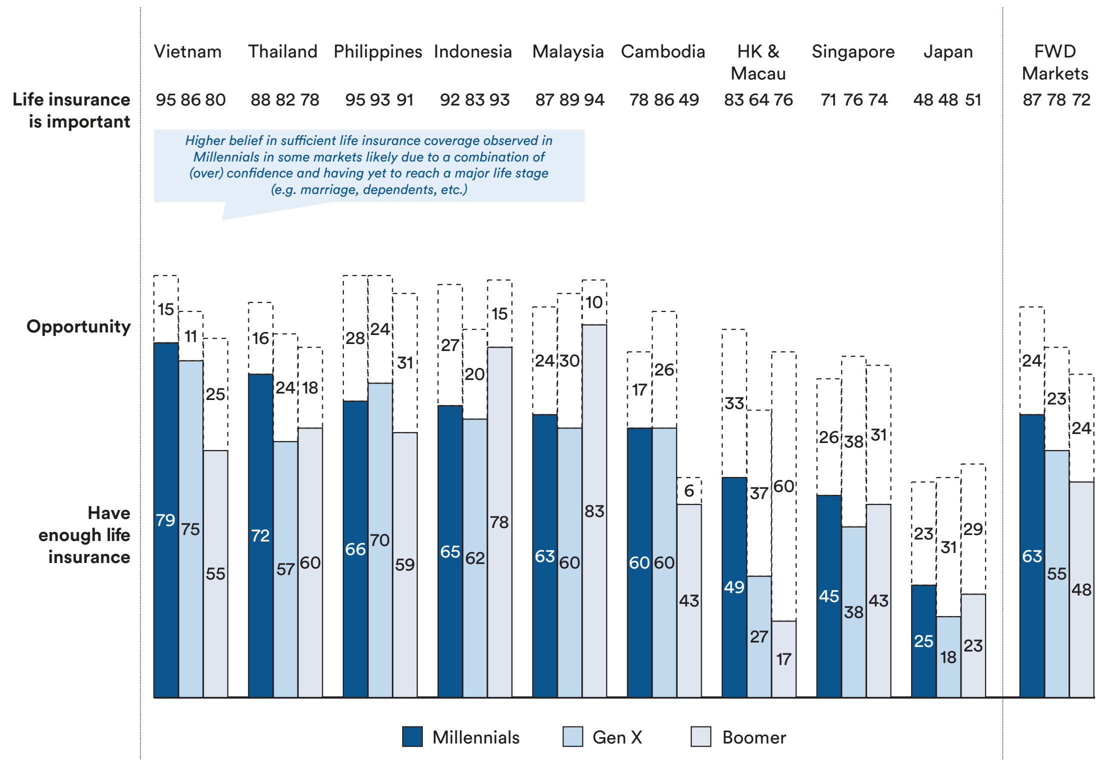
Source: NMG Asia Life Insurance Market Model, Swiss Re, World Bank, GWP statistics published by each market's regulatory body and local life insurance association

Gap between intent to buy and actual purchase propensity

Consumers across all age groups within our markets, including millennials (defined as those aged under 40), acknowledge that despite having the intention to purchase life insurance, they remain under-insured. As illustrated in the following chart, 87% of millennials regard life insurance as important, but only 63%, when surveyed, stated that they believe they have adequate life insurance. This significant gap between having the intention to purchase and having adequate life insurance coverage is observed in consumers across all age segments in our markets.

Many Consumers Believe they are Under Insured

(Stated importance of life insurance vs whether current life insurance is sufficient, %, 2022)



Source: NMG Asia Life Consumer Study 2022

Based on responses from the NMG Asia Life Consumer Study, which had a sample size of 5,482 consumers across all of the FWD markets. NMG's research methodology and scoring basis implemented quotas across markets, and key demographic variables (gender, personal income and age), as well as screening questions to ensure a representative sample. The 'opportunity' metric is the difference between the proportion of consumers that answered 'moderately important' or 'very important' to the question 'how important is life insurance to you and your household?', and 'not confident' or 'not confident at all' to the question 'how confident are you that you have enough coverage for you and your household across the following?'.

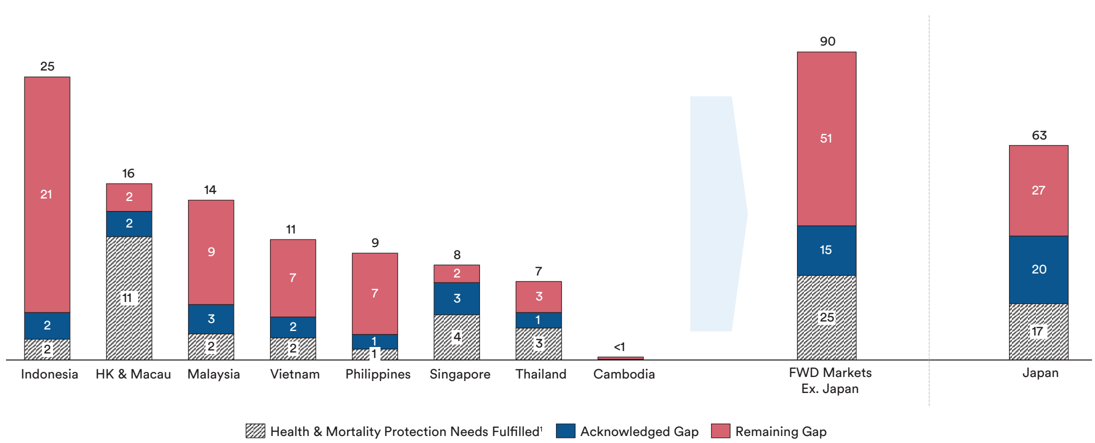
We believe these underserved consumer needs have resulted from several customer pain points throughout the customer journey, from being unable to afford life insurance to being unsatisfied with a long-winding purchase process.

The customers are often offered complex, standard and jargon-laced products via offline channels. At the same time, distributors lack timely access, natural touchpoints and insights into these prospective customers to serve them effectively. As a result of the legacy systems of many life insurance companies, customers are often faced with convoluted, paper-based and time-consuming purchase processes.

In addition, NMG found that approximately one-third of life insurance claimants in Asia are dissatisfied with the claims process because it is lengthy, difficult to understand, coupled with limited post-sale engagement and unsatisfactory customer service and requires excessive amount of information. See "*– Asia's life insurance landscape is constrained by legacy business models*" for more details on these customer pain points. As illustrated in the following chart, consumers' acknowledgement of underinsurance translates to approximately US$34 billion of the overall approximately US$112 billion protection gap, as measured by APE at the end of 2021. We expect that rising income and wealth levels as well as the ongoing growth of the life insurance industry will help consumers better understand their need for protection.

Estimated APE Health & Mortality Protection Needs and Gap Across FWD Markets[(1)]

(2021, in US$ billions)

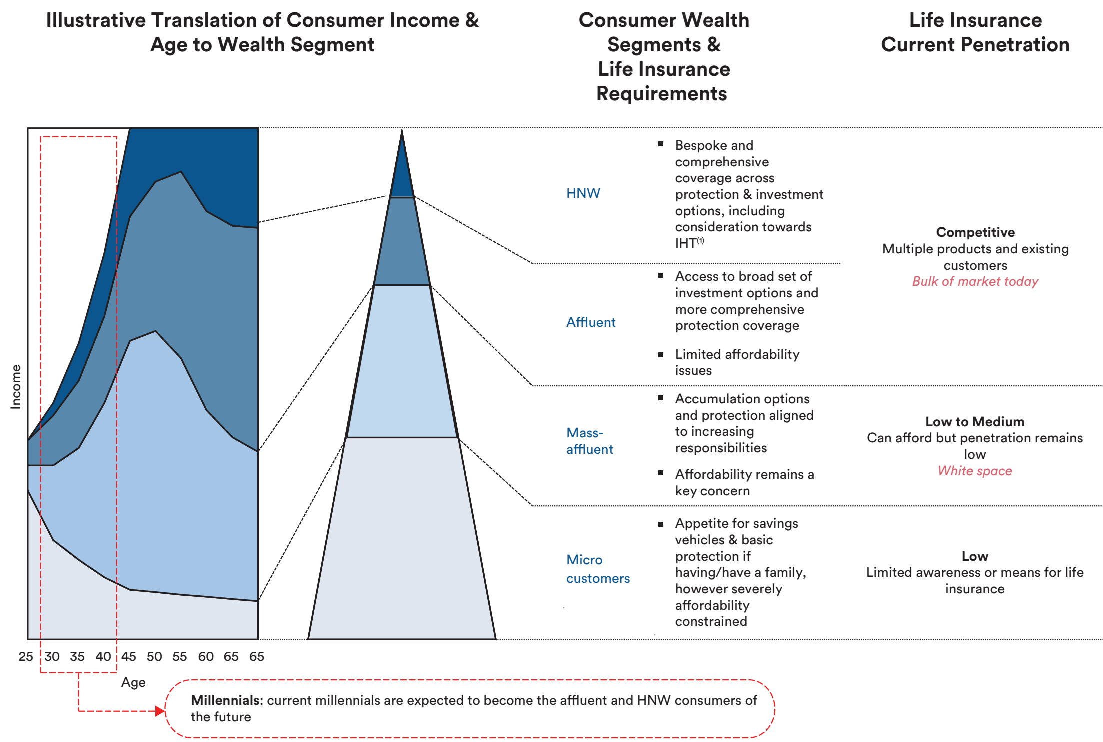


Source: NMG Asia Life Insurance Market Model, NMG Asia Life Consumer Study 2022, Swiss Re, NMG Estimates

(1) 'Health & Mortality Protection Needs Fulfilled' is actual life insurance new business volumes written (as measured by APE) in 2021. The total gap (acknowledged and remaining) is based on Swiss Re's published life and health protection gaps, with additional NMG estimates overlaid to calculate individual country gaps where not published by Swiss Re.

Customer segmentation and lifetime value

The following chart illustrates the four different customer segments for the life insurance industry and their correlation with age.



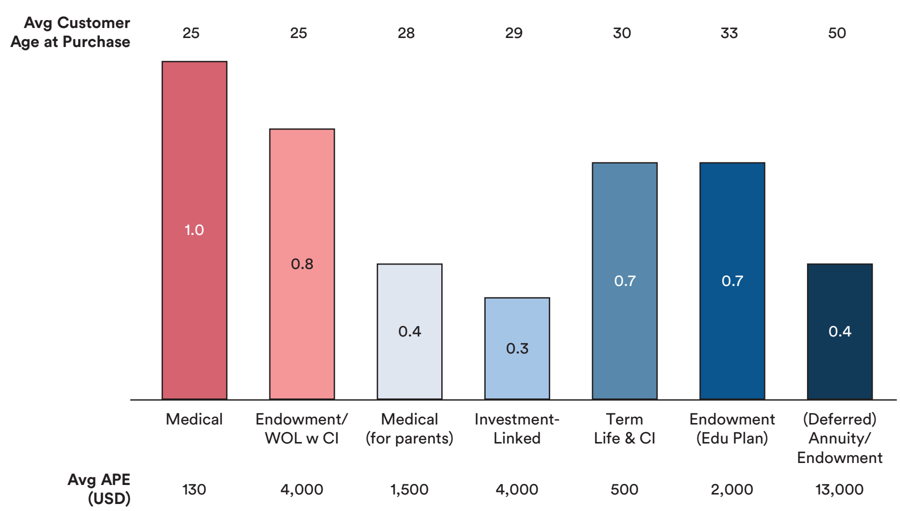
Source: NMG

(1) Inheritance tax.

Although the current millennial population currently makes up only a small proportion of high net worth and affluent customers, as their income and wealth level increases, this proportion is expected to increase over time. However, due to the legacy business models discussed below, the majority of the millennials segment is currently underserved because life insurance products and propositions generally appeal more to older high net worth and affluent customers. We believe the growing percentage of millennial customers presents significant opportunities for insurance companies. Since a large proportion of these customers will become affluent and high net worth customers over time and offer substantial lifetime value, insurance companies can capture these potential customers early on.

The evolving needs and high lifetime value of millennials allow life insurance companies to gain greater value throughout their life insurance journey. The cumulative lifetime value of a typical new 25-year-old policyholder is on average ten times the value of their initial purchase (US$2,500 and US$250, respectively). New 25-year-old policyholders will, on average, purchase 4.25 life insurance policies over their lifetimes and the majority of these policies will be purchased before they reach the age of 40. In addition, since customers prefer different products at different life stages, the change in product preferences of the current millennial segment also offers opportunities for life insurance companies to cross-sell as well as up-sell. Millennials generally prefer medical insurance products in early life stages and, as they age and as they accumulate wealth, their preference changes to a broader range of insurance products such as term life, critical illness and unit-linked products. Therefore, millennials are expected to have greater needs for products that address their protection needs, as they go through their life stages. The following chart illustrates the purchasing journey and lifetime value of a typical 25-year-old new policyholder.

Average # of Policies Over Typical New 25-Year-Old Policyholder's Lifetime



Source: NMG Asia Customer Lifetime Value Model

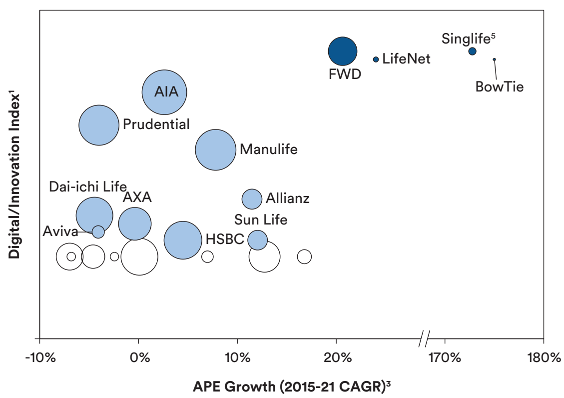
Asia's life insurance landscape is constrained by legacy business models.

Industry landscape

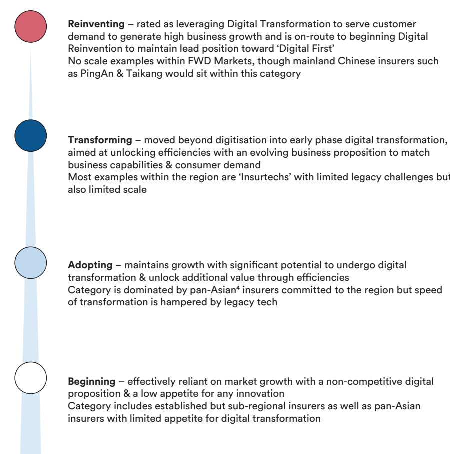
The majority of life insurance companies in Asia are constrained by legacy business models. The top three Pan-Asian life insurers, as measured by total APE market share, have been investing significantly in upgrading their infrastructure, but attempts to digitalise the life insurance business and streamline the relevant processes are slow to gain traction among insurance companies, and effective digitalisation efforts appear to be largely limited to a few players. In addition, there are a large number of slower growth mid-sized multinational and local insurers who either have limited resources or lack the support and commitment to make a difference. As a result, many of Asia's life insurance companies are still in the early stages of digital transformation.

The following chart illustrates the digitalisation status and growth of Asia's life insurance companies (excluding China).

Digital/Innovation vs Growth for Asian Life Insurers
(FWD Markets, 2021)



Categories[2] & Key Insights



Note: Area of bubbles represents insurer's relative life insurance 2021 APE across our markets.

Source: NMG Life Re Study Asia 2020, NMG Asia Life Executive Study 2020/21, NMG Asia Life Insurance Market Model, Gartner

(1) Based on industry executive citations from NMG Life Re Study Asia 2020 & NMG Asia Life Executive Study 2020/21.

(2) Based on Gartner & NMG categorisation.

(3) NMG Asia Life Insurance Market Model, CAGR based on first year of entry if insurer entered post-2015.

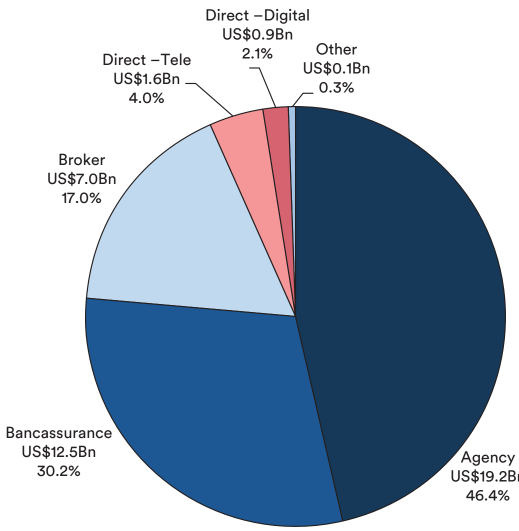
(4) Pan-Asian insurers are defined as life insurers who compete in 3 or more FWD markets.

(5) Singlife digital/innovation score pre recent merger with Aviva.

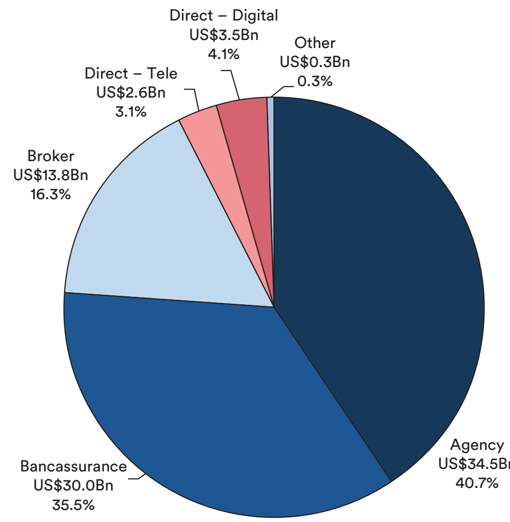
Distribution channels

The Asia life insurance market is relatively reliant on traditional distribution channels such as bancassurance, agency and brokerage/IFA. While direct channels are expected to grow at a much faster rate, bancassurance, agency and brokerage/IFA channels are still expected to make up the majority of distribution over the next decade. In our markets (excluding Japan), APE distributed through the direct digital channel is expected to grow at a CAGR of 27.0% from 2021 to 2030F, compared to projected growth of 9.3% for traditional direct tele-marketing, 11.5% for the bancassurance channel, 13.0% for the brokerage/IFA channel and 10.7% for the agency channel over the same period. Bancassurance, agency and brokerage/IFA channels together are expected to amount to approximately US$78 billion, which represents 92.4% of the APE in our markets in 2030. The following chart illustrates the breakdown of APE by distribution channel in our markets in 2021.

Individual Life Insurance New Business by Distribution Channel in 2021
(APE, US$ billions)



Projected Individual Life Insurance New Business by Distribution Channel in 2030F
(APE, US$ billions)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

Most life insurance companies in Asia are heavily reliant on the agency channel, which has experienced very limited digital adoption historically. Similarly, traditional direct channels are not digitally enabled and are severely limited in terms of the types of products they currently offer and the underlying purchase process. However, COVID-19 has further accelerated insurers investment into the digitisation of their agency forces and their direct channels.

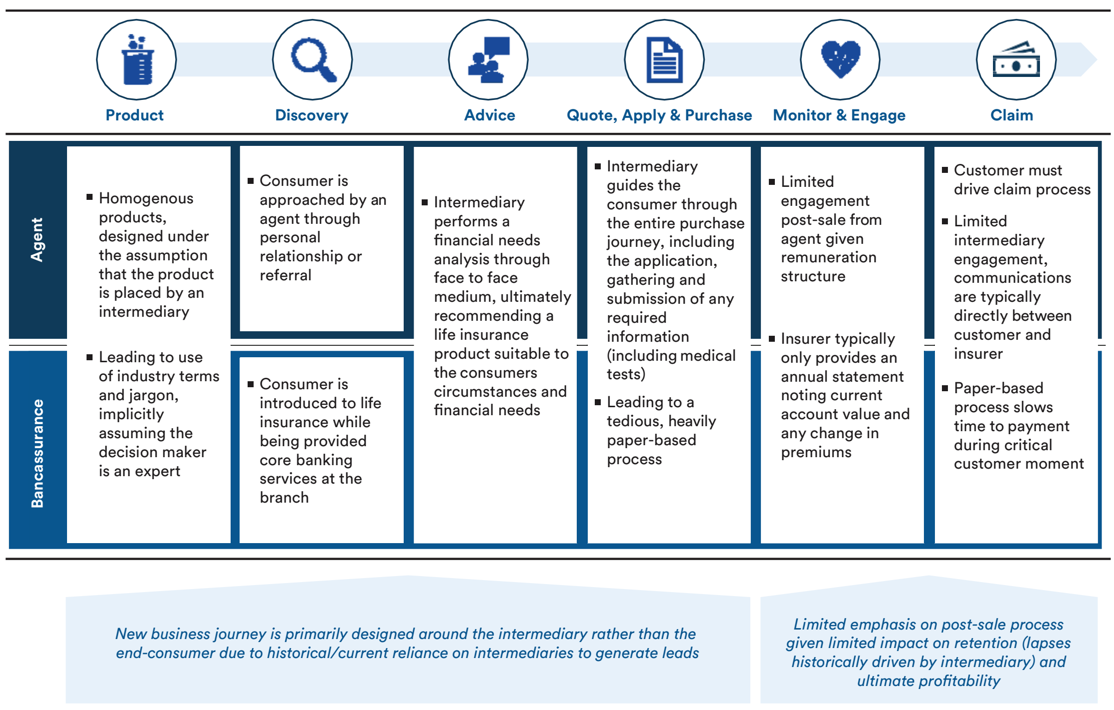
Homogenised product offerings

Within Asia, there are limited differences across product offerings in each market, and since pricing remains opaque, it is difficult for customers to compare fees and other costs across insurers. Customers are often offered standard products with bundled coverage and benefits, limiting customer ability to choose coverage or benefits that are tailored to their specific needs. In addition, due to the dominance of agency and bancassurance as distribution channels, products are often designed to be distributed through an intermediary, such as an agent or bank staff, which results in the pervasive use of industry jargon that customers do not understand.

Products offered by Asia's life insurance companies generally fall into the following categories: medical/health, personal accident, term life, endowment, whole of life, investment-linked and retirement income. The core characteristics of products within the same category are generally the same, with only marginal differences in areas such as coverage limits, number of exclusions, detailed terms and optional riders.

Customer journey

Given the dominance of the agency and bancassurance channels, the traditional customer journey is designed to focus heavily on the origination phase and rely on agents and bank staff to engage with customers and guide them through the sale process. Since there is limited engagement from agents post-sale, policyholders receive very little after-sale service and are often left alone to drive the claims process. In addition, the traditional sale and claims processes are heavily paper-based and require a substantial amount of information. Without engagement and support from agents, the claims process can be difficult to navigate for customers. The chart below shows a simplified version of a typical traditional customer journey across different stages for the agency and bancassurance channels.



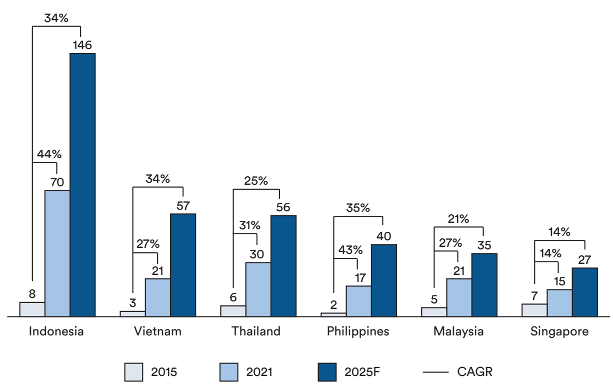
Source: NMG

Digital adoption is a key enabler of change for Asia's life insurance industry.

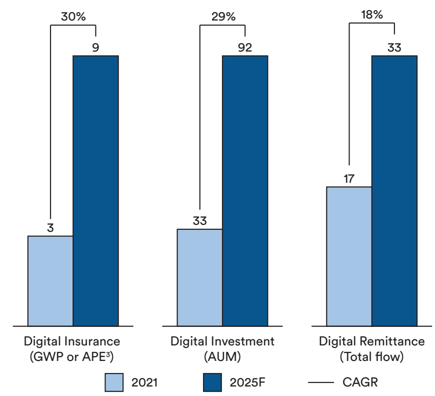
Growth of the digital economy

Growth of the digital economy across our markets is a key growth driver for the life insurance industry as customers become increasingly digitally savvy. The expanding levels of digital connectivity, as well as the increasing affordability and higher adoption rates for digital services, enable insurers with digitally native, customer-focused business models to penetrate underserved customer segments rapidly. The following chart illustrates the growth in the digital economy across our markets over the periods indicated.

Digital Economy Across FWD Southeast Asia[1] Markets
(GMV[2], US$ billions)



Digital Financial Services Across Southeast Asia[1]
(GWP or APE[3], US$ billions)



Source: Google, Temasek and Bain e-Conomy SEA 2021 report

(1) Southeast Asia here only encompasses the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

(2) GMV means Gross Merchandise Value, including insurance through eCommerce.

(3) GWP for non-life insurance, APE for life insurance.

Mobile devices are becoming increasingly accessible and affordable in our markets. Consumers are becoming increasingly more skilled at using digital devices, with more than 60% of smartphone users having purchased a product or service online in 2020. The mobile internet penetration rate for Southeast Asia was 55% in 2021, and the smartphone penetration rate in our markets is expected to reach more than 80% in 2025. As a result of these changes contemporary life insurance customers in Asia expect a typical customer journey to be "mobile-first" and digital, and have higher expectations for seamless customer experience, easy-to-understand products and competitive pricing.

Technology enablement of traditional distribution channels

Digitalisation is transforming traditional distribution channels, such as agency and bancassurance, through the development of digital tools. For example, agents use social media to complement their network and improve their lead generation capabilities, and with the growing popularity of internet and mobile banking, bank staff can capture leads and acquire customers digitally to complement their branch network. Customer relationship management tools and automated processing tools can improve agents' productivity by enabling them to serve customers remotely and more efficiently. Propensity modelling improves customer retention rates by allowing agents to engage in proactive retention activities. Customer relationship management tools can also increase cross-selling and up-selling opportunities by managing customers' lifecycle.

Adoption of ecosystem models to broaden customer access

Digital ecosystems are emerging as modern distribution channels and key growth engines for life insurers in Asia. While agency and bancassurance are expected to remain important distribution channels in the next five years, ecosystem partnerships will also play a key role in distribution.

A common type of digital ecosystem adopted by life insurance companies is the digital marketplace model, where insurance companies collaborate with eCommerce partners to broaden customer access and leverage their infrastructure. The digital marketplace model focuses on customer acquisition. Customers have a one-stop shop for a broad range of products, including insurance, and are able to easily complete insurance transactions through eCommerce portals. By seeking to improve policyholders' health and well-being, insurers can reduce the amount and frequency of claims.

Compared to the traditional distribution channels, digital ecosystems provide greater customer engagement and acquisition opportunities. They allow digital insurers to leverage technology, data and analytics to build ecosystem partnerships to access hundreds of millions of previously untapped customers across Asia. Life insurance companies are also able to derive superior lifetime value from policyholders and increase cross-sell and up-sell potential as a result of higher levels of customer engagement.

Omni-channel model with human touch

With the rapid development of the digital economy, millennials are increasingly turning to digital channels to research and purchase life insurance, and 42% of millennials in our markets expressed trust in digital channels to research life insurance. Consumers' increasing preference for digital channels provides insurers with the opportunity to offer seamless customer journeys with simplified purchase processes, customised products and pricing, enhanced customer engagement and streamlined claims processes.

88% of consumers across all ages still prefer to have some form of human contact during the sales process, with 56% of millennials, 49% of Gen X (defined as those born between 1965 and 1980) and 40% of Baby Boomers (defined as those born between 1946 and 1964) preferring to purchase life insurance through digital channels.

Given the diverging preferences for engagement by customers of different ages and the general preference for some level of human contact, omni-channels, involving both an online and in-person component that can adapt to consumers' preferences, are becoming increasingly important.

Digitalisation of back-end processing and customer servicing

The increased adoption of automation and AI has led to higher customer expectations for experience and productivity. Processes can be automated to provide instant services that are available at all times while also increasing cost efficiency and enabling insurance companies to build scalable, agile and efficient platforms. Process automation is regarded by insurance companies as a priority for their digital investments. By simplifying and automating various processes, operating and cost efficiencies can be significantly improved. For example, AI-enabled chatbots are utilised for customer services to increase the speed and efficiency of these services. AI-enabled chatbots can interact with customers around the clock, enhancing customer experience across the marketing, distribution and claim processes. Automation has also been adopted in the marketing, underwriting, and claims processes.

Data analytics and the application of AI will have positive impacts across the life insurance value chain by increasing efficiency and reducing operating costs. For example, data analytics and AI enable life insurance companies to fulfil the needs of more customers during the marketing, sales and distribution processes through automated and targeted marketing campaigns, automated triage processes that match customers with the most suitable distribution channel and AI-supported financial analysis and advice. AI also simplifies and expedites the underwriting process by adopting AI-supported adaptive underwriting questionnaires that only ask necessary questions and augmenting information derived from the questionnaires with external datasets. AI also allows insurance companies to analyse customers' requirements early on to create customised products quickly and offer dynamic pricing. Automated risk-profiling improves customer retention rates and increases cross-sell and up-sell opportunities.

Digital infrastructure

A modern enterprise architecture is essential for digital-first insurers to understand customers' needs, deliver innovative propositions and improve cost efficiencies. While most life insurance companies have made significant investments in developing applications and tools to improve the customer experience, many large insurance companies are not able to utilise these tools effectively in and across different jurisdictions in Asia due to their legacy systems and outdated data structures.

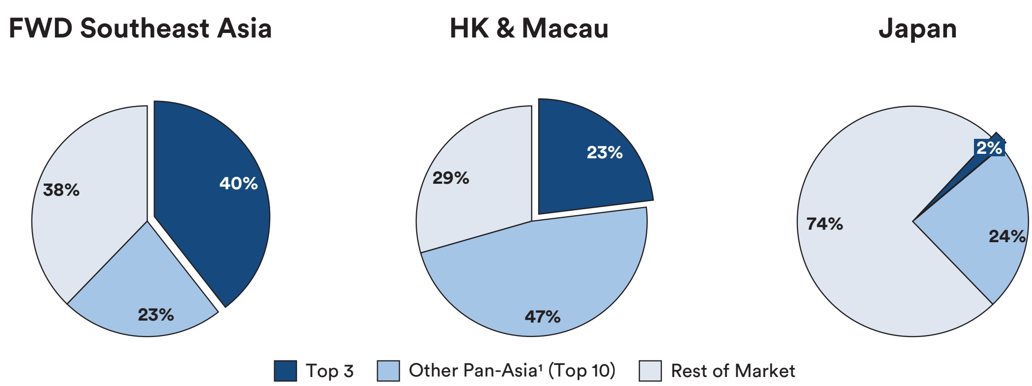
The key component for companies that are to be regarded as leaders in digital-first transformation is their establishment of common data models for use throughout their entire business so that data can be consolidated into a centralised source. The development of digital infrastructure is essential to digitalising the customer journey, utilising customer data and integrating processes and systems to offer customers the omni-channel experience. With an open modular architecture, scalable and real-time changes can be made to individual modules without interrupting the whole application, and applications can be seamlessly integrated. Centralised data can be utilised to derive comprehensive customer profiles across all products and services to improve cost efficiencies and offer more relevant customer propositions quickly.

There are significant growth opportunities for digital-first nimble players operating at scale.

Dynamic Pan-Asian Life Insurance Landscape

There are substantial growth opportunities for nimble and innovative life insurance companies that have achieved scale, particularly in Southeast Asia. The top three Pan-Asian life insurance companies together were estimated to have accounted for only approximately 20% of the APE in respect of all our markets in 2021, leaving ample room for other life insurance companies in the region. The charts below set forth the breakdown of APE by market in 2021.

Individual APE by Insurer Categories (2021)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

(1) Pan-Asia is defined as competing in three or more of our markets.

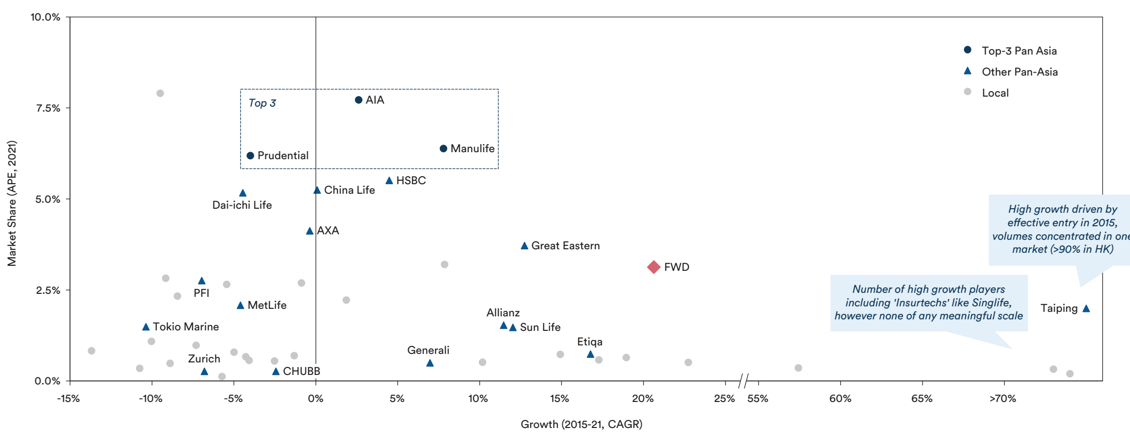
(2) Using static FX rates as at 30 June 2021.

The life insurance sector is generally characterised by high capital requirements, with significant advantages to achieving and operating at scale, which also present significant barriers to entry. While there have been a number of genuine new entrants (i.e. not through the acquisition of an existing life insurer) over the past 5 years within the FWD markets (including Bowtie Life, St James' Place International and Well Link Life in Hong Kong, China Taiping and Singlife (pre-Aviva merger) in Singapore, 1CISP and Singlife in Philippines, China Life and Ciputra Life and Victoria Life in Indonesia), none have reached more than 2% market share and most are sub-scale at <0.5%. We have observed that new entrants tend to enter the market in niche market segments; in general, absent of significant capital investment and inorganic growth, new entrants typically require a significant amount of time to build up competitive distribution channels and capabilities; historical experience suggests growing into the top 10 market share organically is both challenging and time consuming.

As illustrated in the following chart, growth for the leading life insurance companies in terms of market share has lagged compared with the emerging insurtech companies, which, while enjoying rapid growth, have yet to gain enough market share to take advantage of the benefits of the omni-channel model. Since the majority of life insurance companies in Asia are constrained by legacy business models, companies that are successful in their transformation are particularly well-positioned to capture growth opportunities. In addition, with the rapid growth of the life insurance market in Asia, aside from capturing and retaining existing customers, there are significant opportunities for expansion offered by currently untapped and underserved customers.

Competitor Market Share and Growth across FWD Markets – Individual Life Insurance New Sales

(APE[2], 2021)



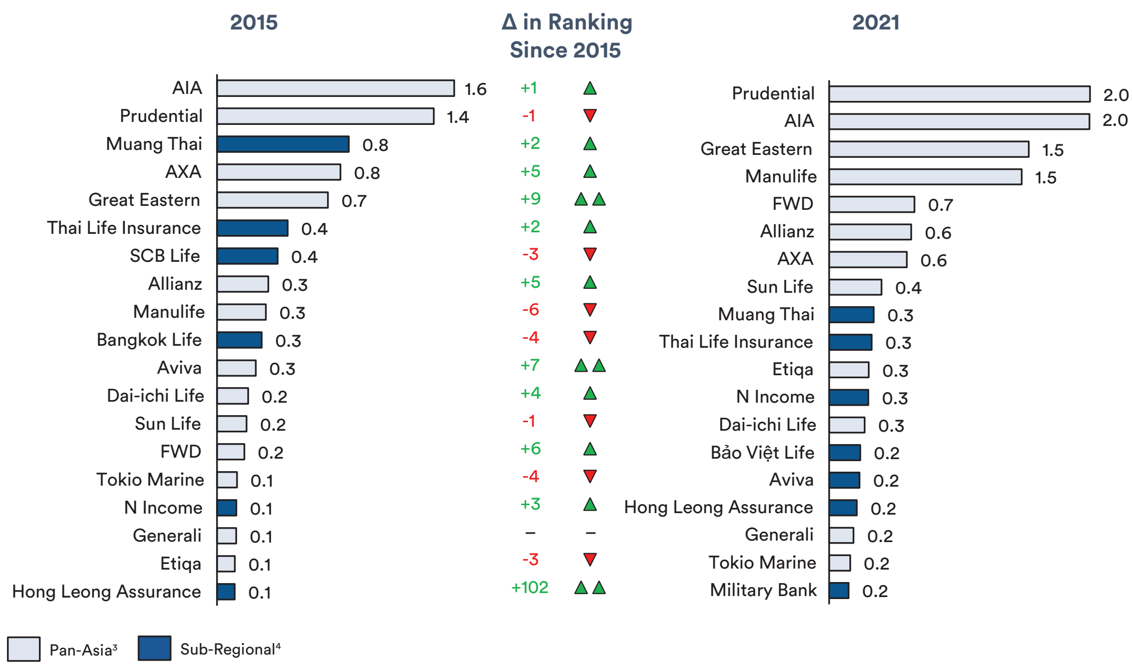
Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

(1) Pan-Asia is defined as competing in three or more of our markets.

(2) Using static FX rates as at 30 June 2021.

As illustrated in the following chart, the competitive landscape of Southeast Asia's life insurance industry has changed dramatically in a short period of time. In terms of ranking by new business APE in our Southeast Asia markets (comprising Thailand (and Cambodia), Philippines, Indonesia, Singapore, Vietnam and Malaysia), we are estimated to have grown from fourteenth place in 2015 to fifth place in 2021, making us the fastest-growing Pan-Asian life insurer in that period.

Insurers Across Southeast Asia FWD Markets[1] by Individual New Business
(New Business APE[2], 2021)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association –

(1) Southeast Asia FWD Markets includes Thailand (and Cambodia), the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(2) Using static FX rates as at 30 June 2021.

(3) Pan-Asia is defined as players who compete in 3 or more FWD markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(4) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

As illustrated in the following data tables, FWD's ranking and market share within each of its operating markets was eighth and 4% in Hong Kong (and Macau), second and 15% in Thailand, nineteenth and 1% in Japan, eleventh and 1% in Malaysia, eighth and 5% in Vietnam, eighteenth and 1% in Indonesia, twelfth and 1% in Singapore, as well as eighth and 6% in the Philippines. The individual life insurance market makes up 90% of the overall life insurance market across the regions in which FWD operates.

Individual Life Insurance Market Share Rankings Across FWD Markets
(New Business APE[1], 2021)

Hong Kong & Macau

HSBC	20%
China Life	20%
BOC LIFE	12%
AIA	11%
Taiping	7%
Manulife	7%
Prudential	5%
FWD (#8)	**4%**
AXA	3%
FTLife	2%

Thailand

AIA	24%
FWD(#2)	**15%**
Muang Thai	12%
Thai Life Insurance	12%
AXA	9%
Prudential	7%
Allianz	5%
Bangkok Life	5%
Tokio Marine	2%
Generali	2%

Vietnam

Manulife	23%
Prudential	13%
Dai-ichi Life	12%
Bảo Việt Life	12%
AIA	8%
Military Bank	8%
Sun Life	5%
FWD (#8)	**5%**
Generali	3%
CHUBB	3%

Philippines

Sun Life	20%
Prudential	17%
AXA	10%
Manulife	8%
AIA	8%
Allianz	7%
BDO Life	7%
FWD (#8)	**6%**
Insular Life	3%
Ageas	3%

Japan

Nippon Life	20%
Dai-ichi Life	11%
Mitsui Sumitomo	7%
PFI	7%
Taiyo Life	7%
Sumitomo Life	7%
Meiji Yasuda Life	6%
Sony Life	6%
MetLife	5%
AXA	4%
FWD (#19)	**1%**

Malaysia

Prudential	23%
Great Eastern	19%
AIA	18%
Hong Leong Assurance	9%
Etiqa	9%
Allianz	7%
Sun Life	3%
Zurich	2%
Tokio Marine	2%
Manulife	2%
FWD (#11)	**1%**

Indonesia

Allianz	14%
Prudential	12%
AIA	9%
AXA	9%
Simas Jiwa	8%
Capital Life	7%
Manulife	6%
BRI Life	4%
Generali	4%
Sun Life	3%
FWD (#18)	**1%**

Singapore

Great Eastern	27%
Manulife	20%
Prudential	16%
AIA	13%
N Income	8%
Aviva	4%
AXA	2%
Etiqa	2%
Sing Life	2%
HSBC	2%
FWD (#12)	**1%**

Pan-Asia[2]
Sub-Regional[3]

Source: NMG Asia Life Insurance Market Model

(1) Using static FX rates as at 30 June 2021.

(2) Pan-Asia is defined as competing in 3 or more FWD markets, where FWD markets include: Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(3) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

Digital-first advantage

The emergence of digitally native and young-at-heart customers, together with the growth of the digital economy, is driving the transformation of life insurance companies to digital-first insurers. Digitally native customers are those that have been brought up in the digital age while young-at-heart customers are those from an older generation that have embraced technology. Both are familiar and comfortable with smartphones, computers and the internet. Digital-first insurers can enhance the customer experience by gaining a deeper understanding of customers through data collection, transforming the traditional distribution channels and building ecosystems to broaden customer propositions.

A true digital-first life insurance company recognises digitalisation as the core of future growth, invests in digitalisation deliberately and strategically, and emphasises the development of data and digital infrastructure. Digital-first life insurance companies have the following core capabilities and culture: in terms of customer experience, digital-first insurers adopt a customer-centric approach that permeates across the life insurance value chain. In terms of platforms and ecosystems, they focus on both developing traditional distribution channels such as bancassurance and agency and building multi-channel ecosystems for future partnerships. They have an underlying infrastructure that supports easy integration with different partners across various markets. In terms of digital infrastructure, they have invested strategically early on to establish an integrated infrastructure for data across their businesses in different markets.

Insurers have been investing heavily in digitalisation with a central focus on customer acquisition by building new distribution channels and developing corresponding products, digitising the application process and developing tools to facilitate automated marketing, underwriting and claim management. However, such investments can be slower to pay off without transforming the underlying infrastructure, and as a result, many insurers in the Asia region are still far from being true digital-first insurers. Many executives of life insurance companies in Asia acknowledge that their companies' current digital capabilities are far from ideal, and while there have been some achievements in digitalising the "front-end" of the customer experience, such as improving the omni-channel experience, progress has been slower for back-end processing and intelligent technology such as cloud-based architecture and automation. In particular, insurers are often restricted in their digital transformation efforts due to the cost, challenges and complexities associated with transforming a myriad of legacy systems.

A. REGULATORY OVERVIEW

The following is a brief summary of the key laws and regulations applicable to our operations in Hong Kong (and Macau), Thailand, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia, Bermuda and the Cayman Islands that currently may materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to the Group. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. Investors should note that the following summary is based on the laws and regulations in force as at the date of this document, which may be subject to change.

Laws and Regulations Relating to the Group's Business and Operations in Hong Kong

Overview

The main source of statutory regulation of the insurance industry in Hong Kong is the Insurance Ordinance (the "**IO**") and its subsidiary legislation, which set out requirements for the licensing, ongoing compliance and reporting obligations of insurers and insurance intermediaries.

The HKIA is the statutory body which administers the IO. The principal function of the HKIA is to regulate and supervise the insurance industry for the promotion of the general stability of the industry and for the protection of existing and potential policyholders. The HKIA regulates the Hong Kong authorised insurers. In addition to regulation by the HKIA, the Hong Kong authorised insurers are members of the Hong Kong Federation of Insurers ("**HKFI**"), a self-regulatory industry body that has issued a code of practice that is binding on its members in relation to, among other things, the management of insurance agents and advising and selling practices.

The HKIA designated FWD Management Holdings as the designated insurance holding company of the Group on 14 May 2021, following which the Group has become subject to additional capital, solvency, regulatory reporting, public disclosure and intervention measures under the GWS framework. See "*– Framework for group-wide supervision of certain insurance groups*" in this section.

Certain types of products and services offered by the Group in Hong Kong are regulated under separate statutory regimes by regulatory bodies other than the HKIA. These include products and services regulated under the Mandatory Provident Fund Schemes Ordinance ("**MPFSO**"), administered by the Mandatory Provident Fund Schemes Authority ("**MPFA**"), and the Hong Kong Securities and Futures Ordinance ("**SFO**"), administered by the Securities and Futures Commission ("**SFC**"). See "*– Regulation under the MPFSO*," "*– Regulation under the SFO*" and "*– Publicly offered investment products*" in this section.

Licenses held by FWD in Hong Kong

The Group is authorised to carry on insurance business in Hong Kong through its subsidiaries that are Hong Kong authorised insurers. The Hong Kong authorised insurers are authorised to carry on certain classes of long-term business in or from Hong Kong. In addition, FWD Financial Planning is a licensed insurance broker and FWD Financial Limited is a licensed insurance agency. In relation to the Group's MPFSO retirement scheme business in Hong Kong, FWD Life (Bermuda) and FWD Financial Planning are registered MPFSO principal intermediaries. FWD Financial Planning is a licensed corporation under the SFO, in relation to dealing in securities and advising on securities). FWD Life (Bermuda) has ceased business of regulated activities and requested for a withdrawal of its license to carry on asset management regulated activity on 22 December 2021. In addition, FWD Life (Bermuda) and FWD Life (Hong Kong) are the issuers of investment-linked assurance schemes authorised by the SFC.

Authorisation for an insurance business under the IO

Companies carrying on an insurance business in or from Hong Kong must obtain authorisation from the HKIA. Authorisation will be granted only to insurers meeting certain requirements set out in section 8 of the IO, which focuses on, among other things: (i) paid-up capital; (ii) solvency margin; (iii) fitness and properness of directors and controllers; and (iv) adequacy of reinsurance arrangements.

Other requirements that the HKIA will take into account when considering whether to authorise an insurer are specified in guidelines issued by the HKIA from time to time. The requirements for authorisation are ongoing and continue to apply to an insurer after becoming authorised.

Minimum paid-up capital requirement

Pursuant to section 8(3)(b) of the IO, the minimum paid-up capital requirements are currently HK$10 million for an insurer carrying on long-term business, or HK$20 million for a composite insurer (in each case, carrying on both general and long-term business) and for an insurer wishing to carry on statutory business (i.e., an insurance business, not being a reinsurance business, relating to liabilities or risks in respect of which persons are required by any Hong Kong law to be insured). The minimum paid-up capital is reduced to HK$2 million in respect of captive insurers.

Solvency margin

Pursuant to sections 8(3)(a) and 35AA of the IO, an insurer is required to maintain at all times an excess of assets over liabilities of not less than a required solvency margin. The objective of these requirements is to provide a reasonable safeguard against the risk that the insurer's assets may be inadequate to meet its liabilities arising from unpredictable events, such as adverse fluctuations in its operating results or the value of its assets and liabilities.

For long-term business insurers, the IO stipulates a minimum solvency margin of HK$2 million.

Solvency margins are determined in accordance with the Insurance (Margin of Solvency) Rules (Chapter 41F of the Laws of Hong Kong), which sets out a series of calculations to be used depending on the particular class of long-term business involved, subject to a minimum solvency margin of HK$2 million.

For the purposes of determining compliance with the solvency margin requirement, the value of long-term liabilities, in the case of an insurer carrying on long-term business, is to be determined in accordance with the Insurance (Determination of Long Term Liabilities) Rules (Chapter 41E of the Laws of Hong Kong). An insurer is required to adopt prudent provisions and assumptions, particularly on interest rates, when valuing the amount of long-term business liabilities. Among other things, valuation methods are specified for calculating the yields on assets and the amount of future premiums payable under an insurance contract.

On 30 June 2022, FWD Life (Bermuda) received approval for the early adoption of RBC. FWD Life (Bermuda) is required at all times to ensure that its eligible capital resources meet the applicable minimum capital requirement ("**MCR**") and prescribed capital requirement ("**PCR**"). In addition, during the early adoption period, FWD Life (Bermuda) should maintain a capital buffer on top of the applicable PCR equal to 50% of the applicable PCR in line with early adoption standards released by the IA.

RBC regime

Hong Kong is in the process of moving to an RBC regime from the current rules-based regime. On 28 December 2021, the HKIA published a circular regarding early adoption of aspects of "Pillar 1" of the RBC regime, which will involve the HKIA exercising its powers (i) pursuant to section 130(1) of the IO to relax the Insurance (Determination of Long Term Liabilities) Rules (Chapter 41E of the Laws of Hong Kong) in their application to an authorised insurer and (ii) pursuant to section 17(2) of the IO to modify or vary the requirements of Schedule 3 to the IO (on accounts and statements) in their application to an authorised insurer to align these requirements with the forthcoming RBC regime. On 30 June 2022, FWD Life (Bermuda) received approval from the HKIA for the early adoption of RBC. Subsequently, the Group has also filed an application with the HKIA for early adoption of the RBC regime by FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong). See *"Risk Factors – New solvency standards may affect our capital position*".

Fit and proper directors and controllers

Section 8(2) of the IO provides that the HKIA must not authorise an applicant company as an insurer if it appears to the HKIA that any person who is a director or controller of the company is not a fit and proper person to hold such position. Section 9 of the IO defines an insurer's controllers as including, among others, a managing director of the insurer or its holding company, a chief executive officer of the insurer or its holding company (if the holding company is also an insurer), a person in accordance with whose directions or instructions the directors of the insurer or its corporate parent are accustomed to act or who, alone or with any associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the insurer or its holding company.

After obtaining authorisation, an insurer is required to comply with sections 13A, 13AC, 13AE, 13B, 14, 15 and 15B of the IO in respect of any appointments of, or changes in, its controllers, directors, key persons in control functions, auditor and if the insurer carries on long-term business, appointed actuary. These provisions of the IO may require the HKIA's approval, the HKIA's no objection and/or notification to the HKIA for such appointments.

Pursuant to section 14A of the IO, the HKIA must have regard to specified matters in determining whether a person is a fit and proper person for the purposes of sections 8, 8A, 13A, 13AC, 13AE, 13B, 14 and 15 of the IO. In addition, the HKIA has issued a guideline which sets out the minimum standards of suitability that are applicable to certain persons occupying specific positions in relation to an authorised insurer and the general guiding principles of the HKIA in assessing fitness and properness. The factors that the HKIA will have regard to include a director's or controller's financial status, character, reputation, integrity, reliability, qualifications and experience regarding the functions to be performed by such director or controller and ability to perform such functions efficiently, honestly and fairly.

In the case of authorised insurers belonging to a group of companies, the HKIA will, when considering fitness and properness, take into consideration any information in the HKIA's possession relating to any other company in the group of companies or any substantial shareholder or officer of the person or another company in the group of companies.

The HKIA will take into account certain facts in applying the "fit and proper" test to the Hong Kong authorised insurers and their controllers (as defined under section 9, 13A or 13B of the IO, as the case may be), including, but not limited to, whether the person:

(i) has financial integrity, e.g., whether the accounts of the body corporate display a financially sound and stable position;

(ii) (where the person is a shareholder controller, i.e., a controller defined under section 9(1)(a)(iii)(B) or 13B(1) of the IO, as the case may be) has sufficient financial resources to acquire or support the operations of the insurer and whether the business plan for the insurer is realistic and viable;

(iii) is subject to receivership, administration, liquidation or other similar proceedings;

(iv) has been refused or restricted from the right to carry on any trade, business or profession by any regulatory authority in Hong Kong or elsewhere;

(v) has been censured, disciplined or publicly criticised by any regulatory authority in Hong Kong or elsewhere;

(vi) has been the subject of an investigation conducted by any regulatory authority in Hong Kong or elsewhere; or

(vii) was a controller or director of a body corporate or insurer, in Hong Kong or elsewhere, which has been compulsorily wound up or made any compromise or arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims, either whilst the body corporate concerned was a controller or director or within one year after the body corporate concerned ceased to be such a controller or director.

The HKIA is empowered by the IO to raise an objection if it appears to it that any person is not fit and proper to be a controller or director of an authorised insurer. The HKIA is also empowered by the IO to exercise the disciplinary powers set out under section 41P of the IO (such as the revocation or suspension of authorisation of the insurer) if it is of the opinion that a person who holds (or held) the position of a director or controller of the insurer is not (or was not) a fit and proper person to hold that position.

Adequate reinsurance arrangements

Section 8(3)(c) of the IO requires an insurer to have adequate reinsurance arrangements in respect of its insurance business unless it is justified otherwise. The HKIA has issued a guideline that sets out the general guiding principles of the HKIA in assessing the adequacy of the reinsurance arrangements of an insurer. In considering the adequacy of an authorised insurer's reinsurance arrangements, the HKIA will generally take into account, among other things, the following factors: the reinsurance management framework of the insurer; the type of reinsurance arrangements; the maximum retention of the insurer; the spread of risks among reinsurers; and the security of reinsurers.

With regard to the spread of risks among reinsurers, the HKIA considers that additional risks arise where a reinsurer is a related company of the insurer. The HKIA has issued a guideline which sets out the criteria to be used in determining the adequacy of such arrangements. The HKIA will consider a related reinsurer to have provided adequate security if any of the following requirements is met:

(i) the particular reinsurer is an authorised insurer in Hong Kong;

(ii) the particular reinsurer or any one of its holding companies has an Insurer Financial Strength Rating of AA- or above by Standard & Poor's, Aa3 or above by Moody's or A+ or above by A.M. Best or equivalent rating; or

(iii) the particular reinsurer or any one of its holding companies is otherwise considered by the HKIA as having a status comparable to the above.

In the event that none of these requirements is met by a related reinsurer, the HKIA will restrict the amount of net reinsurance it deems recoverable from that reinsurer when assessing the ceding party's financial position, unless it determines that acceptable collateral security, such as an irrevocable and permanently renewable letter of credit, is in place in respect of the arrangement with that reinsurer.

Maintenance of assets

Sections 22 to 23 of the IO require insurers carrying on long-term business to keep separate accounts for different classes of long-term businesses and to maintain certain levels of assets calculated on the basis of their solvency margins in respect of each class of business in funds that are applicable only to that particular business.

The HKIA has also issued a guideline on reserve provisioning for Class G of long-term business to reinforce and enhance the required standard of provision for Class G business of long-term business. Policies classified under Class G of long-term business are mainly offered as retirement scheme contracts which provide for a guaranteed capital or return under MPF schemes and ORSO schemes.

Accounting and reporting requirements

The IO requires insurers to maintain proper books of accounts which must sufficiently exhibit and explain all transactions entered into by the insurer in the course of any business carried on by the insurer. Insurers must submit information including audited financial statements, a directors' report and statistics relating to the valuation of their insurance business and outstanding claims to the HKIA on an annual basis.

An insurer carrying on long-term business is also required to submit annually an actuarial investigation report. The appointed actuary is responsible for advising on all actuarial aspects of the financial management of an insurer's long-term business including proper premium setting, a prudent reserving policy, a suitable investment allocation, appropriate reinsurance arrangements and due reporting of irregularities to the HKIA.

Corporate governance of authorised insurers

The HKIA has issued a guideline on the corporate governance of authorised insurers, which sets out the minimum standard of corporate governance that is expected of an authorised insurer and the general guiding principles of the HKIA in assessing the effectiveness of an insurer's corporate governance arrangements. This guideline applies to both (i) authorised insurers incorporated in Hong Kong (such as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)) and (ii) authorised insurers incorporated outside Hong Kong where 50% or more of their annual gross premium income pertains to their Hong Kong insurance business (such as FWD Life (Bermuda)), unless written consent for exemption has been obtained from the HKIA. No such written consent for exemption has been obtained from the HKIA by FWD Life (Bermuda). The guideline covers governance structure, roles and responsibilities of the board of directors, board matters, board committees, risk management and internal control systems, remuneration matters and servicing of clients.

Irrespective of the proportion of an overseas-incorporated insurer's Hong Kong insurance business, the HKIA expects such an insurer to observe strictly any applicable guidelines on corporate governance promulgated by its home regulatory authority.

Asset management

In order to ensure that an insurer will meet its contractual liabilities to policyholders, the HKIA requires that an insurer's assets are managed in a sound and prudent manner, taking into account the profile of liabilities held by the insurer and the risk-return profile of the insurer. The HKIA has issued a guideline on asset management by authorised insurers, which applies to both an insurer incorporated in Hong Kong (such as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)) and the Hong Kong branch of an insurer incorporated outside Hong Kong whose investment in financial assets exceeds HK$100 million. This guideline provides a checklist for assessing how insurers should control the risks associated with their investment activities and includes guidance and commentary on the investment process, policy and procedures; the investment mandate given by the board of directors to senior management; and monitoring and control (including risk management functions, internal controls and audit).

In order to assess how insurers control the risks associated with their investment activities, the HKIA may periodically request information from insurers, including accessing information through on-site inspections and discussion with insurers.

Powers of intervention

The HKIA is empowered under Part V of the IO to intervene in an insurer's business and take appropriate actions in (among others) the following circumstances:

(i) where the HKIA considers that the exercise of this power is desirable for protecting policyholders or potential policyholders of the insurer against the risk that the insurer may be unable to meet its liabilities or to fulfil the reasonable expectations of policyholders or potential policyholders;

(ii) where it appears to the HKIA that the insurer or, in limited circumstances, its holding company has failed to satisfy any of its obligations under the IO;

(iii) where it appears to the HKIA that the insurer has provided misleading or inaccurate information to it for the purposes of the IO;

(iv) where the HKIA is not satisfied as to the adequacy of the insurer's reinsurance arrangements;

(v) where the HKIA is not satisfied with the financial condition of the insurer or its compliance position with the prescribed regulatory benchmark or requirements in respect of, among other things, its assets and liabilities matching position, reserving level or financial protections;

(vi) where there exists one of the specified grounds on which the HKIA would be prohibited from authorising the insurer if it were to make an application for authorisation (including where the insurer's directors and controllers fail any "fitness and properness" requirement); or

(vii) where it appears to the HKIA that the circumstance described in section 35AA(1) or (2) of the IO exists (i.e., the insurer has failed to maintain the required excess of the value of its assets over the amount of its liabilities).

The HKIA may also intervene in an insurer's business, whether or not any of the above circumstances exist, at any time during the five-year period following authorisation of the insurer or a person becoming a controller of an insurer.

The actions that the HKIA may take in intervening in an insurer's business include:

(i) restrictions on the insurer effecting new business;

(ii) restrictions on types of investments an insurer may make, or requirements that the insurer realises certain types of investments within a specified period;

(iii) requirements that an insurer maintain assets in Hong Kong equal to the whole or a specified portion of the liabilities arising from its Hong Kong business, and that these assets be held in the custody of a trustee approved by the HKIA;

(iv) requirements that an insurer takes steps to limit the premium income it receives during a specified period to a specified amount in respect of certain classes of business; and

(v) requirements that the insurer conducts a special actuarial investigation on its long-term business to produce information and documents and requirements that the insurer accelerates its submission to the HKIA of financial reports and actuarial investigations and other specified documents.

In addition, under certain specified circumstances, the HKIA may direct that a manager is appointed to assume control of an insurer.

Section 35 orders

The HKIA has a further general residual power (exercisable under section 35(1) of the IO) to issue directions to an authorised insurer to take such action in respect of its affairs, business or property as the HKIA considers appropriate. Letters have been issued by the HKIA to FWD Life (Bermuda) under these powers, which, among other things, require that FWD Life (Bermuda):

(i) will not acquire a new controller (defined as a person who, alone or with any associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at their general meetings or the general meetings of their holding companies) without first obtaining the HKIA's written consent;

(ii) will ensure that all insurance business and all transactions with any "specified person" are on normal commercial terms and supported by valuable consideration;

(iii) will not place any deposit with or transfer assets (except for normal insurance transactions) or provide financial assistance to any "specified person" without first obtaining written consent from the HKIA;

(iv) will not declare or pay any dividend without first obtaining written consent from the HKIA; and

(v) will inform the HKIA as soon as practicable of any circumstances which may put the interest of policyholders or potential policyholders at risk.

For the purpose of such requirements, "specified person" includes but is not limited to an insurer's directors, controllers, shareholders and associates or group companies.

Letters of undertaking

Letters of undertaking have been issued to the HKIA by certain of the Hong Kong authorised insurers in our Group and their controllers. The HKIA may take into account any failure to comply with the requirements stipulated in such letters in considering whether or not to exercise its intervention powers under the IO or take disciplinary action against the insurer under the IO. The HKIA may also take into account any non-compliance with such requirements in determining matters such as the fitness and properness of controllers and directors on an on-going basis.

By way of non-exhaustive example:

(i) FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) have agreed and undertaken to the HKIA that, among other things, they will not effect any new contracts of insurance, as an insurer, including contracts of reinsurance accepted but excluding contracts of reinsurance ceded in or from Hong Kong, will not recommence such new insurance business without the HKIA's prior written consent, will inform the HKIA of any circumstances which may put the interests of their policyholders or potential policyholders at risk and furnish to the HKIA at specified times or intervals with information about any matter that the HKIA requests in relation to them;

(ii) our Company has agreed and undertaken to the HKIA, among other things, that it will not effect any further acquisition and/or borrowing without first giving the HKIA at least 60-days' prior written notice of such intention (or such shorter prior notice as the HKIA may allow), give the HKIA unrestricted access to its register of members/shareholders, give notification to the HKIA as soon as practicable on any change of directors, furnish the HKIA at specified times or intervals with information about specified matters that the HKIA requests in relation to it and furnish its annual accounts to the HKIA; and

(iii) our Company has agreed and undertaken to the HKIA that, unless prohibited by any laws or statutory regulations, we will provide the HKIA at least 14-days' prior notification (or shorter period if allowed by the HKIA) or, if prior notification is not possible, as soon as practicable, of information relating to material and/or significant events in respect of FGL and its group companies.

As the GWS regime (please see "*– Framework for group-wide supervision of certain insurance groups*" in this section for more details) affects or overlaps with some of the requirements in the current letters of undertaking, the Group is in discussions with the HKIA in relation to our remaining letters of undertaking.

Payment of dividends

An insurer authorised for long-term business and its holding companies are not permitted to declare dividends to shareholders at any time when the requirements of section 22(3) of the IO relating to any fund or funds maintained by the insurer in respect of its long-term business have ceased to be satisfied. In addition to the private undertakings outlined above, our Company has agreed and undertaken to the HKIA that it will obtain the HKIA's prior written consent before declaring or paying dividends to its shareholders. In addition, FWD Life (Bermuda), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) are also required to obtain the HKIA's prior written consent prior to declaring or paying a dividend to their respective shareholders.

The Code of Conduct for Insurers ("HK Code of Conduct")

As part of the self-regulatory initiatives taken by the industry, the HKFI has published the HK Code of Conduct, which, among other things, describes the expected standard of good insurance practice in the establishment of insurance contracts and claims settling.

The HK Code of Conduct, which is currently being updated, applies to all general insurance members and life insurance members of the HKFI and applies to insurance effected in Hong Kong by onshore individual policyholders insured in their private capacity only. As a condition of membership of the HKFI, all general insurance members and life insurance members undertake to abide by the HK Code of Conduct and use their best endeavours to ensure that their staff and insurance agents observe its provisions.

The Insurance Complaints Bureau ("ICB")

The ICB was inaugurated on 16 January 2018 to supersede The Insurance Claims Complaints Bureau in providing an alternative dispute resolution mechanism to help resolve insurance disputes arising from personal insurance policies. The Insurance Claims Complaints Panel is appointed by the ICB with the objective of providing independent and impartial adjudication of complaints between insurers and their policyholders. The Insurance Claims Complaints Panel handles claims either from policyholders themselves or their beneficiaries and rightful claimants. The Insurance Claims Complaints Panel, in making its rulings, is required to have regard to and act in conformity with the terms of the relevant policy, general principles of good insurance practice, any applicable rule of law or judicial authority; and any codes and guidelines issued from time to time by the HKFI or the ICB. The terms of the policy contract must prevail unless they would, in the view of the Insurance Claims Complaints Panel, produce a result that is unfair and unreasonable to the complainant. Members (including the Hong Kong authorised insurers) agree to comply with and be bound by the ICB's Terms of Reference and will be bound by any decisions made by the Insurance Claims Complaints Panel.

Cybersecurity

Pursuant to section 133 of the IO, the HKIA has issued a guideline on cybersecurity, which aims to assist authorised insurers to identify and mitigate cyber risks. Effective from 1 January 2020, the guideline applies to all authorised insurers (except for captive insurers and marine mutual insurers) in relation to the insurance business they carry on in or from Hong Kong. It sets out the minimum standard for cybersecurity that applicable authorised insurers are expected to have in place and the general guiding principles which the HKIA uses in assessing the effectiveness of an insurer's cybersecurity framework. The guideline, which is not intended to be an exhaustive list of requirements, sets out the general guiding principles for a cybersecurity strategy and framework and covers governance, risk identification assessment and control, continuous monitoring, response and recovery and information sharing and training. Authorised insurers are expected to implement adequate and effective cybersecurity measures which are appropriate and commensurate with the size, nature and complexity of their business.

Framework for group-wide supervision of certain insurance groups

Overview and relevance to the Group

Prior to 29 March 2021, the HKIA was our group-wide supervisor as agreed by insurance regulators of our supervisory college. The HKIA performed this function through the use of written undertakings provided by us.

In July 2020, the Legislative Council passed the Insurance (Amendment) (No. 2) Bill 2020 which introduced a framework enabling the HKIA to directly conduct group-wide regulation and supervision of insurance groups where the holding company for the group is incorporated in Hong Kong. The GWS framework is intended to be aligned with the IAIS' standards on group-wide supervision (particularly the Common Framework for the Supervision of Internationally Active Insurance Groups) and to be principles-based and outcomes focused to allow the HKIA to have effective and robust supervisory mechanisms for insurance groups. The GWS framework came into force on 29 March 2021.

The Group is within the scope of the GWS framework, as described below. The GWS framework is founded upon three pillars:

(i) pillar one establishes capital requirements (comprising a Group Minimum Capital Requirement ("**GMCR**") and a Group Prescribed Capital Requirement ("**GPCR**") which a DIHC would be expected to ensure its insurance group meets;

(ii) pillar two sets out risk management and governance requirements that a DIHC is expected to apply across the group, including a requirement to carry out a group internal economic capital assessment and an own risk and solvency assessment to assess present and future financial and risk condition of its insurance group; and

(iii) pillar three sets out disclosure requirements for a DIHC that cover risk and governance matters in relation to its insurance group, as well as certain private reporting obligations to the HKIA.

Designation of the DIHC and the DIHC's duties and obligations

Under the GWS framework, the HKIA is able to designate an insurance holding company within an insurance group as a DIHC if: (i) the HKIA, in accordance with principles adopted by the IAIS, is appointed as the group supervisor of the insurance group to which the insurance holding company belongs and (ii) the HKIA considers it appropriate for the insurance holding company to be so designated. In general, the obligations and requirements of a DIHC will apply in relation to its supervised group. The HKIA carries out group wide supervision through the control and influence that the DIHC may exercise in relation to its supervised group. The entities which will comprise the "supervised group" will by default comprise the DIHC, all subsidiaries of the DIHC and any other entities that are, according to applicable accounting standards, treated as members of the insurance group to which the DIHC belongs. However, the HKIA is also able, pursuant to section 95D of the IO, to include other entities in the supervised group, which the HKIA considers are closely linked to a default member of the supervised group through any financial, contractual or operational relationship or exclude default members from the supervised group if it considers appropriate.

On 14 May 2021, FWD Management Holdings was designated as the DIHC of the Group. The Group expects that the "supervised group" will, upon completion of the [**REDACTED**], comprise our Company, all entities consolidated in our Company's financial statements and BRI Life. The HKIA may, from time to time, specify other entities to be part of the supervised group as a result of such entities being closely linked by virtue of any financial, contractual or operational relationship.

FWD Management Holdings, as the DIHC, is required to, among other things:

(i) maintain with its holding company any arrangements specified by the HKIA (to ensure that it is able to comply with the GWS framework);

(ii) comply with group-wide capital requirements;

(iii) establish an enterprise risk management system for its supervised group;

(iv) establish and implement a corporate governance framework for its supervised group;

(v) implement effective systems, at the group level, in relation to risk management and internal controls, including effective functions for risk management, compliance, actuarial matters, internal audit and financial control;

(vi) monitor its supervised group's investment risk exposures on an aggregate basis for the supervised group as a whole and ensure controls are in place to ensure each member in the supervised group meets the qualitative and quantitative investment requirements which apply to it;

(vii) comply with requirements for disclosure of information in relation to its supervised group, including public disclosures and private disclosures to the HKIA;

(viii) adopt a sound and responsive framework in formulating and monitoring the outsourcing arrangements for its supervised group and establish a group outsourcing policy to formulate and monitor outsourcing arrangements;

(ix) ensure that the risks associated with any proposed acquisition to be made by itself or any other member of its supervised group are adequately assessed and to avoid making an acquisition, or allowing an acquisition to be made, that would jeopardise the financial position of the supervised group or prejudice the interests of the policyholders of the supervised group; and

(x) obtain the HKIA's prior approval before making a major acquisition or allowing a major acquisition to be made by another member of the supervised group.

In addition, FWD Management Holdings has undertaken to the HKIA that, following [**REDACTED**], all independent non-executive directors of our Board of Directors shall also be independent non-executive directors on the board of directors of FWD Management Holdings.

Group Capital Rules

Under the GWS framework, the Insurance (Group Capital) Rules (the "**Group Capital Rules**") provide for two levels of capital requirements. The GMCR and the GPCR are respectively calculated as the sum of the regulatory minimum capital requirements and prescribed capital requirements which apply to each of the legal entities in the supervised group in the jurisdictions in which they are incorporated or carry on business. FWD Management Holdings (as the DIHC) is required to ensure that the supervised group's tier 1 group capital is at all times not lower than the GMCR and the sum of tier 1 group capital and tier 2 group capital is at all times not lower than the GPCR. Please refer to "*– Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Framework for group-wide supervision of certain insurance groups - Designation of the DIHC and the DIHC's duties and obligations*" in this section for details of the entities comprising the supervised group.

Only eligible group capital resources may be included in the supervised group's tier 1 group capital or tier 2 group capital. If a supervised group member is a regulated entity, its eligible capital resources are the resources and financial instruments that are eligible to be counted towards satisfying its minimum capital requirement or prescribed capital requirement in the jurisdiction in which it is authorised as a regulated entity. If a supervised group member is a non-regulated entity, its eligible capital resources (and their categorisation into tier 1 (unlimited or limited) or tier 2) is determined based on criteria specified in the Group Capital Rules.

The Group Capital Rules require a DIHC to make periodic private reports to the HKIA on group capital adequacy. It must also notify the HKIA forthwith upon the occurrence of certain matters relating to group capital, including where any of its directors, chief executive or key persons in control function believe it is likely that the DIHC will breach (or has breached) certain group capital requirements, as well as upon the occurrence of certain other specified adverse circumstances. The Group Capital Rules also require a DIHC to make certain periodic public disclosures in relation to its supervised group, including information on its group profile, corporate governance framework, certain financial matters (including in relation to group capital) and on material intra-group transactions.

Supervision of shareholder controllers, chief executives, directors and key persons in control functions

Section 95I of the IO prohibits a person from becoming or continuing to be a shareholder controller (defined to mean a person who, alone or with an associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the company) of FWD Management Holdings (as the DIHC) unless approved by the HKIA. In addition, the HKIA is able to object to a person being a shareholder controller of a DIHC if it appears to the HKIA that the person is not, or is no longer, a fit and proper person to be a shareholder controller.

FWD Management Holdings (as the DIHC) is required to obtain the HKIA's approval for the appointments of its chief executive(s), director(s) and key person(s) in control functions. The HKIA is able to object to the continued appointment of any chief executive, director or key person in control functions of FWD Management Holdings if it appears to the HKIA that the person in question is not, or is no longer, a fit and proper person to be so appointed.

Factors to be taken into consideration in ascertaining whether a shareholder controller, chief executive, director or key person in control functions is fit and proper are set out in the IO and are similar to the ones applicable to an authorised insurer. Please refer to "*– Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Fit and proper directors and controllers*" in this section.

The Group has agreed with the HKIA on a transitional arrangement for the implementation of certain GWS reporting requirements. The transitional arrangement specifies the content and timing of certain reports required to be submitted by the Group to the HKIA under the GWS framework. The reports covered by this transitional arrangement include the Group's internal economic capital assessments, group capital adequacy report, capital adequacy supplementary information and updates on Group board meetings. The Group has agreed to report to the HKIA semi-annually on its progress in carrying out its transitional plan. Unless otherwise agreed with HKIA, the transitional arrangement expires on 31 December 2023. Other requirements of the GWS framework currently apply to the Group and the Group is in full compliance with those requirements.

Powers of intervention

The GWS framework also empowers the HKIA to pass a direction appointing a manager to manage the affairs, business and property of the DIHC, including the exercise of the DIHC control and influence over within-scope group companies, for the duration that such direction is in force, if any of the following were to occur:

(i) the HKIA is of the opinion or is informed by the DIHC that the group capital requirements for the supervised group are not being, or are likely to be not, complied with;

(ii) the auditor's report states that there is a significant doubt as to the ability of the DIHC or its supervised group to continue as a going concern; or

(iii) the HKIA is of the opinion that the DIHC or its supervised group is unable to meet their liabilities, and there is no reasonable prospect of the DIHC or its supervised group recovering from such situation, the measures taken by the DIHC or its supervised group to recover from such situation have failed or any attempt to take the measures to recover from such situation is likely to fail or cannot be implemented within a reasonable time.

The HKIA is also empowered under specified circumstances to, among other things, obtain information and require production of documents, requiring the taking of action in relation to the affairs, business and property of companies within the supervised group and the power to restrict the transfer of assets among the within-scope group companies.

Group readiness and transition plan

The Group is moving towards compliance with the GWS requirements on the basis of transitional arrangements that have been agreed with the HKIA. We apply an amount equal to the net proceeds we received upon issuance of US$2,563 million (being the carrying value of financial instruments at 31 March 2022) of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC, toward meeting our group prescribed capital requirement under such transitional arrangements.

In addition, in its capacity as a groupwide supervisory authority, the HKIA has identified certain priority areas for us to address, including (i) improvement in the profitability and sustainability of our existing Business Units; (ii) further integration across our Business Units in areas such as risk management, strategic planning, capital adequacy and financial efficiency; and (iii) enhancement of our corporate governance and reporting structure. We have submitted in response Board approved implementation plans which will be monitored by the Board and shared with the HKIA and supervisory college members.

Regulation of insurance intermediaries in Hong Kong

Overview

With effect from 23 September 2019, the HKIA became the sole regulator to license and supervise insurance intermediaries (comprising insurance agents and insurance brokers) in Hong Kong. The regulatory regime for insurance intermediaries is activity-based. The key difference between the two types of insurance intermediaries is that insurance agents act as agents or subagents of insurers, while insurance brokers act as agents of policyholders and potential policyholders.

The HKIA is responsible for supervising insurance intermediaries' compliance with the provisions of the IO and the relevant regulations, rules, codes and guidelines issued by the HKIA. The HKIA is also responsible for promoting and encouraging proper standards of conduct of insurance intermediaries, and has regulatory powers in relation to licensing, inspection, investigation and disciplinary sanctions.

Licensing requirements

Where the applicant insurance agent, technical representative (agent) or technical representative (broker) is an individual, the HKIA must not grant the applicant a license unless, among other things, (i) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned and (ii) the applicant has passed the relevant papers of the Insurance Intermediaries Qualification Examination conducted by the Vocational Training Council (unless exempt).

Where an applicant insurance agency is a corporation, the HKIA must not grant the applicant a license unless, among other things, (i) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; (ii) each director of the applicant is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; (iii) where there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; and (iv) the applicant is appointed as an agent by at least one authorised insurer. A licensed insurance agency is also required to appoint a fit and proper person to discharge his or her responsibilities as a responsible officer of the insurance agency, and should provide sufficient resources and support to the person for discharging his or her responsibilities. Prior approval of the HKIA is required for appointment of the responsible officer.

The HKIA must not grant an applicant insurance broker company a license unless (i) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; (ii) each director of the applicant is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; (iii) if there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; and (iv) the applicant is able to demonstrate that, if licensed, it will be able to comply with rules relating to minimum capital and net assets, professional indemnity insurance, the keeping of separate client accounts by a licensed insurance broker company and the keeping of proper books and accounts. A licensed insurance broker company is also required to appoint a fit and proper person to discharge his or her responsibilities as a responsible officer of the insurance broker company, and should provide sufficient resources and support to the person for discharging his or her responsibilities. Prior approval of the HKIA is required for appointment of the responsible officer.

"Controller" is defined in Part X of the IO to mean, in relation to a company, a person who (i) owns or controls, directly or indirectly, including through a trust or bearer shareholding, not less than 15% of the issued share capital of the company; (ii) is, directly or indirectly, entitled to exercise or control the exercise of not less than 15% of the voting rights at general meetings of the company; or (iii) exercises ultimate control over the management of the company.

The matters that the HKIA must have regard to in determining fitness and properness are set out in the IO. These include matters such as a person's education or other qualifications or experience, ability to carry on a regulated activity competently, honestly and fairly, reputation, character, reliability and integrity and financial status or solvency. The HKIA has issued a guideline on the "fit and proper" criteria for licensed insurance intermediaries.

Licenses will generally be subject to renewal requirements every three years.

Conduct requirements

Licensed insurance intermediaries are required to comply with the statutory conduct requirements set out in the IO and the relevant requirements set out in the codes of conduct issued under the IO. The HKIA has issued two separate codes of conduct, namely the Code of Conduct for Licensed Insurance Agents and the Code of Conduct for Licensed Insurance Brokers. These codes contain principles of conduct and related standards and practices with which licensed insurance agents and licensed insurance brokers are ordinarily expected to comply in carrying on regulated activities.

Transitional arrangements

Insurance intermediaries validly registered with the three former self-regulatory organisations (The Insurance Agents Registration Board, The Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association) immediately before the commencement of the new regime on 23 September 2019 (such as FWD Financial Planning and FWD Financial Limited) are regarded as (or deemed as) having been granted a license for three years under the current regulatory regime.

If deemed licensees intend to continue conducting regulated activities under the IO after the end of the transitional period, they must apply for a formal license from the HKIA within the three-year transitional period. During the transitional period, the HKIA will make arrangements for deemed licensees to submit their applications for formal license by batches. The transitional period for all deemed licensees ends on 22 September 2022.

Each of FWD Financial Limited and FWD Financial Planning has applied for new formal licenses, and has been granted, respectively, an insurance agency license effective from 2 June 2022, and an insurance broker company license effective from 14 July 2022. Both formal licenses are valid for three years from their respective date of grant.

Regulation under the MPFSO

The MPFA is the body established to act as the regulatory authority under the MPFSO and is responsible for regulating and supervising the operations of MPF schemes.

The MPFA registers MPF schemes, approves constituent funds of the schemes and ensures that they operate properly in accordance with the MPFSO, subsidiary legislation and the guidelines issued by the MPFA.

A person is required to be registered with the MPFA as an MPF intermediary before he can engage in MPF sales and marketing activities that may influence a prospective or existing participant of an MPF scheme in making a decision that affects the participant's benefits in an MPF scheme. The MPFA may only register as "principal intermediaries" institutions registered with the SFC for dealing in securities and/or advising on securities regulated activity corporations licensed by the SFC for dealing in securities regulated activity and/or advising on securities regulated activity, insurers authorised under the IO to carry on a long-term insurance business and licensed long-term insurance broker companies under the IO. FWD Life (Bermuda) and FWD Financial Planning are registered MPFSO principal intermediaries and hence are subject to supervision under this regime. Certain individuals attached to a principal intermediary are also required to be registered with the MPFA as "subsidiary intermediaries." Both principal intermediaries and subsidiaries intermediaries constitute "MPF intermediaries." In regulating MPF intermediaries, the MPFA works with three frontline regulators, namely the HKIA, the SFC and the Hong Kong Monetary Authority (collectively, the "**FRs**"). The MPFA and the FRs have distinct powers and functions. In cases concerning conduct issues, the FRs are responsible for supervision and investigation of the relevant registered MPF intermediaries who are the FRs' respective regulatees under their own regimes while the MPFA is the sole authority to determine and impose any disciplinary orders under the MPFSO. Conduct requirements for MPF intermediaries are set out in the MPFSO and a guideline issued by the MPFA.

Publicly offered investment products

The operation, marketing and promotion of investment-linked products and schemes, including long-term insurance schemes by insurers, are subject to authorisation by the SFC in accordance with Part IV of the SFO and related codes and guidelines issued by the SFC (for example, the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products). The codes and guidelines contain structural requirements, operational requirements and disclosure requirements, including restrictions on the content of advertisements and the claims that can be made with respect to risks and potential returns on an investment.

Regulation under the SFO

Companies that wish to conduct business in regulated activities (as stipulated in the SFO) which include, but are not limited to, Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) in Hong Kong must be licensed to do so under the SFO, unless one of the exemptions under the SFO applies. The marketing and promotion of regulated activities, certain financial products and investment schemes are also regulated under the SFO.

Licensed corporations under the SFO are subject to a number of ongoing requirements which include, but are not limited to, capital adequacy, financial reporting and audit, internal control and compliance, regulatory notifications and record keeping. Responsible officers who supervise the regulated activities of the licensed corporations and individuals responsible for carrying out the regulated activities in Hong Kong must satisfy suitability and qualification requirements (as well as maintenance of such requirements) and be approved by the SFC. Substantial shareholders as defined under the SFO must also satisfy certain requirements as to their fitness and properness and be approved by the SFC.

In Hong Kong, FWD Financial Planning and FWD Life (Bermuda) are licensed corporations. FWD Financial Planning is licensed for Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities. FWD Life (Bermuda) is currently licensed for Type 9 (Asset Management) regulated activities but has requested for a withdrawal of the license on 22 December 2021.

In addition, the operation, marketing and promotion of investment-linked products and schemes, including long-term insurance schemes by insurers, are subject to authorisation by the SFC. See "– *Publicly offered investment products*" in this section.

Laws and Regulations Relating to the Group's Business and Operations in Macau

Overview

The main source of statutory regulation of the insurance sector in Macau is Decree-Law 27/97/M as amended by Law 21/2020, commonly referred to as the Macau Insurance Ordinance, which sets out requirements for the authorisation, ongoing compliance and reporting obligations of insurers.

The ultimate authority overseeing, coordinating and supervising insurance activity is the Macau Chief Executive, while the material execution of these functions is carried out by the Macau Monetary Authority ("**AMCM**").

Insurance intermediary activity in Macau is principally regulated under Decree-Law 38/89/M and its subsequent amendments, commonly referred to as the Insurance Agents and Brokers Ordinance. Authorisation of insurance intermediaries and supervision of insurance intermediary activity fall under AMCM's purview, and any individual or corporate entity must obtain the necessary license issued by AMCM before conducting insurance intermediary business in Macau.

Licenses held by the Group in Macau

The Group is authorised to carry on a life insurance business in Macau through its locally incorporated subsidiary, FWD Life (Macau). FWD Life (Macau) is licensed as a life insurer and authorised to offer all classes of life business.

FWD Life (Macau)'s authorisation to carry on a life insurance business was issued by government order no. 92/99/M on 22 March 1999 and published in the Macau Official Gazette on 29 March 1999. This authorisation was subsequently updated by way of executive orders 73/2000, 30/2001 and 48/2013, being successive authorisations to the change in trade name of the company.

Capital, Solvency Margin and Reserve Requirements, Dividend Restrictions

The Macau Insurance Ordinance sets a minimum paid up capital requirement for locally incorporated life insurers, such as FWD Life (Macau), of MOP60 million. Pursuant to the Macau Insurance Ordinance, FWD Life (Macau) is also required to maintain technical reserves, guaranteed by equivalent and adequate assets located in Macau (unless otherwise authorised by AMCM), as well an excess of assets over liabilities of not less than a required solvency margin calculated in accordance with section 70 of the Macau Insurance Ordinance, subject to a minimum solvency margin of MOP15 million. FWD Life (Macau) may only distribute dividends if it meets its statutory legal reserve obligations for the financial year. The Monetary Authority of Macao requires insurance companies to maintain a required minimum solvency ratio determined periodically and is currently set at 150%.

Laws and Regulations Relating to the Group's Business and Operations in Thailand

Overview

FWD Thailand is licensed to carry on a life insurance business in Thailand. It is regulated and supervised by the Office of Insurance Commission of Thailand ("**OIC**"), an independent regulatory organisation handling day-to-day insurance business affairs that reports to the Ministry of Finance. The Secretary General of the OIC holds the statutory appointment of Insurance Registrar.

Each quarter, life insurers must contribute a proportion of their insurance premium to the OIC to cover the OIC's operational expenses. Other than unit-linked insurance products, life insurers must contribute 0.3% of the first-year direct premium and 0.15% for the premium of consecutive year and for one-time payment insurance policies. For unit-linked insurance products, the rate of contribution to the OIC is 0.1% of direct premium each year.

The principal regulator for insurers, reinsurers and intermediaries in Thailand is the OIC. Under the Insurance Commission Act 2007, the OIC is chaired by the Permanent Secretary of Finance, and comprises of the Permanent Secretary of Commerce, the Secretary General of the Consumer Protection Board, the Governor of the Bank of Thailand,

and the Secretary General of the Securities and Exchange Commission as ex officio commissioners. The OIC must also be made up of at least 6 but no more than 8 Commissioners selected from experts in law, accountancy, business administration, finance, economics, or insurance.

The Life Insurance Act 1992 (as amended) and its subordinated regulations govern life insurance companies and intermediaries in Thailand, and impose compliance and statutory requirements, including approval and reporting requirement, on insurers and intermediaries. The OIC has the power to supervise insurers and intermediaries; regulate professional conduct, qualifications and the licensing of insurance brokers, agents and actuaries; and implement policies on insurance funds.

Capital requirements

Life insurance companies in Thailand must maintain total capital available of not lower than the total capital required ("**TCR**") under the Risk-Based Capital Notification 2019 (as amended) ("**RBC Notification**"), and, in any case, not lower than Thai Baht 50 million. TCR is calculated based on the relevant risks to which a life insurer is exposed. According to the RBC Notification, if life insurance companies have a capital adequacy ratio ("**CAR**") of lower than 120% (effective until 31 December 2021) or lower than 140% (effective from 1 January 2022 onward), the OIC may impose certain measures as necessary to monitor the financial status of such companies.

Reserve and asset management requirements

For any insurance policies that remain in force, life insurers must allocate a portion of their premium income to a statutory insurance reserve. The insurance reserve may consist of different classes of assets, including cash, government bonds, and current deposits.

Life insurers must place a security deposit with the OIC of not less than Thai Baht 20 million, which may be a mix of cash and certain types of bonds, treasury bills, and similar permitted instruments. Life insurers must also place 25% of their insurance reserves with the OIC.

Under the law, if an insurer is bankrupt or if its license is revoked, policyholders who are entitled to receive payment under their insurance policies will have preferential rights to the assets that the insurer placed with the OIC (security deposit and insurance reserve), and the rights to receive payment from those assets as secured creditors before other secured creditors.

Statutory fund

Life insurance companies must contribute to a central life insurance statutory fund. If an insurer is declared bankrupt or if its license is revoked, policyholders will be compensated by the fund. Life insurance companies are required to place up to 0.5% of their total premium collected in the past six months into the statutory fund in accordance with the rules of the OIC.

If the insurer's license is revoked, each policyholder will receive, in total, not more than Thai Baht 1 million of liquidation proceeds already distributed by the liquidator and compensation from the fund. Policyholders would also have preferential rights over other assets of the insurer and the right to receive payment from such assets subject to the rights of secured creditors and certain other classes of preferred creditors.

Reinsurance

Life insurers can only reinsure up to the net amount at risk unless an approval is granted by the OIC.

Life insurers must prepare a liquidity risk management plan for events with huge loss or those requiring constant compensation. The OIC may also request insurers to take a stress test to assess how effective their treaty or facultative reinsurance arrangements are.

Reinsurance with a Thai licensed reinsurer is allowed if insurers have an appropriate reinsurance management framework. On the other hand, Thai insurers can only enter treaty and facultative reinsurance agreements with foreign reinsurers with good credit ratings as prescribed under the regulation. Financial reinsurance and finite reinsurance with certain characteristics are prohibited, and the insurers must be able to demonstrate against those characteristics. Further, the OIC may order insurers to amend their treaty or facultative reinsurance agreements.

Insurers are required to submit a report on their reinsurance management framework and an analysis of the effectiveness of reinsurance to the OIC by the end of March each year. They must also submit the required reinsurance information and statistics, and, if the OIC requests, copies of reinsurance agreements and side letters.

Regulation on products

All insurance policies, as well as their related documents and endorsements, must be approved by the OIC. Using policies that have not been approved can entitle policyholders to policy termination with a full refund of premium or policy continuation with the benefits as written. Any inconsistency between a policy and its marketing materials is to be construed in favour of the policyholder or the beneficiary.

Premium rates also require the OIC's approval. The OIC can adjust a premium rate as it sees appropriate or at the insurer's request. Any premium adjustment will not affect the premium rate of insurance policies that were approved previously.

Insurers cannot underwrite policies denominated in currencies other than Thai Baht, but may access reinsurance from overseas that is denominated in foreign currencies.

The eligibility criteria on tax deductibility of premiums imposed by the Revenue Department affects life insurance policies.

Regulation on agents and brokers

Life insurance agents and brokers must be licensed by the OIC. From a general principle perspective in Thailand, agents generally represent a single insurer, while brokers may represent multiple insurers for the customer's best interests. The license of an agent also indicates the name of the insurance company of the agent. Insurers cannot pay intermediaries any remuneration other than normal commission and benefits. There is a cap on the first-year commission rate, and a minimum rate for commission rates for subsequent years.

Restriction on foreign insurers

Life insurers must have at least 75% of their total voting shares directly owned by Thai shareholders, and cannot have foreign directors representing more than a quarter of the board. Nonetheless, the OIC may allow a life insurer to have up to 49% direct foreign shareholding and to have foreign directors representing more than a quarter but less than half of the board, if the Commission thinks appropriate.

The Minister of Finance, with recommendation of the OIC, can allow an insurer to have more than 49% foreign shareholding and foreign directors representing half of the board (or more) if the insurer's operation may cause harm to policyholders or the public, or for the purpose of enhancing the stability of the insurer or the insurance industry.

The law does not prohibit foreign shareholders from owning an indirect interest in life insurers in Thailand through Thai holding companies.

Restriction on dividends and distributions

Life insurers must maintain certain reserves. Before they can distribute dividends, life insurers must meet certain requirements, including having a CAR above the prescribed threshold and having net profits for at least two consecutive years. The calculation of net profits and dividends distribution is subject to the OIC's prior approval.

Financial reporting requirements

Insurers must submit reviewed quarterly financial statements, audited annual financial statements, and annual reports, as well as a certified actuarial report on the calculation of liabilities from insurance policies. In addition, life insurers must publicise their financial statements in newspapers, at their head office and branch offices.

Laws and Regulations Relating to the Group's Business and Operations in Japan

Overview

FWD Life Japan is regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister has the authority to supervise insurance companies in Japan. Most of such authority is delegated to the Commissioner of the Japanese Financial Services Agency ("**JFSA**"), who in turn has delegated a part of such authority to the Directors of the Local Finance Bureaus of the Ministry of Finance.

Licensing requirements

Under the Insurance Business Act, a license must be obtained from the Prime Minister in order to engage in the business of underwriting insurance for the general public, with certain exceptions. The issuance of a license is subject to the satisfaction of certain requirements relating to financial condition, prospective results of operations, knowledge, experience, social credibility, insurance products to be offered, and the manner of calculation of insurance premiums, policy reserves and certain other financial matters. The Prime Minister or the Commissioner of the JFSA also has the authority to order the suspension of businesses in whole or in part; dismissal of officers including directors, executive officers, accounting advisers, corporate auditors and independent auditors; and revocation of licenses, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act.

Authority of the Commissioner of the JFSA

An insurance company must obtain approval from the Commissioner of the JFSA with respect to (a) any change in its products or any other term provided in the statement of manner of operations, the form of general policy conditions or the statement of the manner of calculation of insurance premiums and policy reserves submitted to the JFSA (although some of these changes are subject only to a prior notification requirement) or certain material provisions of its articles of incorporation, (b) establishment or acquisition of certain subsidiaries, (c) demutualisation, mutualisation, merger, consolidation, company split, dissolution or cessation of insurance business or (d) transfer of insurance policies, transfer or acquisition of a business in which any or all of the parties thereto are insurance companies, or entrustment of its administration or property to any other insurance company. The Commissioner of the JFSA also has extensive supervisory authority over insurance companies.

Reporting requirements

Insurance companies in Japan are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the JFSA annual and semi-annual business reports in each business year, as well as notifications with respect to any increase in paid-in capital; appointment or resignation of representative directors, directors who engage in the ordinary business of the insurance company, corporate auditors, representative executive officers, executive officers, members of audit committee or independent auditors; issuance of stock acquisition rights or subordinated bonds; and the borrowing of subordinated loans.

Regulations on solicitation

Under the Insurance Business Act, life insurance solicitors, including sales representatives, independent sales agents and insurance brokers, must be registered with the relevant Local Finance Bureau. The Directors of the Local Finance Bureaus also have the authority to revoke any existing registration upon the occurrence of certain events provided in the Insurance Business Act and to supervise the operation of such representatives, agents and brokers.

Scope of business

Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance pursuant to their license, investing premium revenues and other assets, and certain other businesses set forth in the Insurance Business Act (with the prior approval of the Commissioner of the JFSA for certain types of businesses).

Regulations on major shareholders

Under the Insurance Business Act, a person who intends to hold 20% (or in certain cases, 15%) or more of the voting rights of an insurance company, defined for the purpose of this section as a major shareholder, must obtain prior authorisation from the Commissioner of the JFSA with certain limited exceptions. In addition, the Commissioner of the JFSA may request the submission of reports or materials from, or may inspect, any major shareholder if necessary to secure the sound and appropriate operation of the business and the protection of policyholders of such insurance company. The Commissioner of the JFSA may also impose certain administrative sanctions against major shareholders under the Insurance Business Act, including rescinding the authorisation given to a major shareholder, if they violate any law, regulation or administrative disposition, or act against public interest.

Solvency margin

Under the Insurance Business Act, the Commissioner of the JFSA has the authority to set standards to measure the financial soundness of the management of insurance companies in Japan. The solvency margin ratio is a standard designed to measure the ability of insurance companies to pay insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. Currently, the solvency margin ratio for life insurance companies on a nonconsolidated basis is calculated pursuant to a defined calculation formula.

In connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the JFSA is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium-term reviews of solvency margin regulations. The final report of the Advisory Council on the Economic Value-based Solvency Framework published by the JFSA in June 2020, recommended that the JFSA design and implement such an economic-value based solvency framework in Japan targeting adoption from the beginning of the fiscal year ending 31 March 2026.

The Commissioner of the JFSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative real net assets to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200% or higher are considered sound. If the ratio falls below 200%, the Commissioner of the JFSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of its management. If the ratio falls below 100%, the Commissioner of the JFSA may order the insurance company to take measures to enhance solvency. If the solvency margin ratio falls below 0%, the Commissioner of the JFSA may order the insurance company to suspend all or part of its operations for a period of time to be specified by the Commissioner of the JFSA.

Distribution of dividends

Under the Companies Act, the distribution of shareholder dividends takes the form of distribution of surplus. A distribution of surplus may be made up to the amount calculated in accordance with the formula set forth in the Companies Act. The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies in Japan must be made in a fair and equitable manner in accordance with the provisions of related regulations.

Laws and Regulations Relating to the Group's Business and Operations in the Philippines

Overview

The Group is authorised to carry on a life insurance business in the Philippines through FWD Philippines. FWD Philippines is likewise authorised to engage in bancassurance activities through the banking network of Security Bank of the Philippines.

The Insurance Commission is the regulatory body that supervises the insurance industry in accordance with Presidential Decree No. 1460, as amended by Republic Act No. 10607 (the "**Philippine Insurance Code**"). The Insurance Commission is a government agency under the Department of Finance and is headed by the Insurance Commissioner who is appointed by the President of the Republic of the Philippines.

Capital Requirements, Solvency and Dividends

Insurance Commission Circular Letter 2016-68 (Amended Risk-Based Capital Framework) prescribes that the risk-based capital ratio be at least 100%, and a trend test is satisfied, at every quarter-end. (i.e. 3 quarterly submissions and an annual report). Upon failure to meet the required RBC ratio based on the submissions, the company must submit a report explaining the cause of the failure and a management plan outlining the actions and/or strategies to be done to meet the RBC ratio for the next quarter. There are varying levels of regulatory intervention for the failure of a company to meet the required minimum based on a company's RBC ratio. In addition, Section 194 of the Philippine Insurance Code sets the minimum paid up capital requirements for domestic life and non-life insurance companies incorporated after 2013 at PHP1 billion. All life or non-life insurers are also subject to an increasing net worth requirement of PHP250 million by 30 June 2013, PHP550 million by 31 December 2016, PHP900 million by 31 December 2019, and PHP1.3 billion by 31 December 2022. Net worth shall consist of: (a) paid-up capital; (b) retained earnings; (c) unimpaired surplus; and (d) revaluation of assets as may be approved by the Insurance Commissioner.

A life insurance company is authorised to declare cash, property or stock dividends for distribution to its stockholders of record in proportion to their stockholdings upon approval by the board of directors and stockholders, provided it satisfies the minimum net worth, and paid-up capital thresholds imposed by law. Insurance Commission Circular Letter 2021-02 provides the Revised Guidelines on the Declaration and/or Distribution of Dividends of an insurance company. Moreover, the insurance company shall meet the following regulatory measures at all times, without regulatory relief, duly attested by the President and Treasurer, before declaration and/or distribution out of the unrestricted retained earnings can be made: (i) unimpaired paid-up capital stock; (ii) net worth requirements prescribed by Circular Letter No. 2015-02-A and Section 194 of the Insurance Code; (iii) solvency requirements defined in Section 200 of the Insurance Code; (iv) legal reserve fund requirements under Section 217 of the Insurance Code; and (v) a sum sufficient to pay off all net losses reported or in the course of settlement, and all liabilities for expenses and taxes imposed by law. No prior approval or clearance from the Insurance Commission is required for the declaration and/or distribution of dividends. Any dividend declared or distributed shall be reported to the Insurance Commissioner within 30 days after such declaration or distribution accompanied by the documentary requirements. If the Insurance Commission finds that there has been a declaration or distribution in violation of the Revised Guidelines, the insurance company may be ordered to cease and desist from doing business until the amount of such dividend or portion in excess of the allowable amount has been restored.

Laws and Regulations Relating to the Group's Business and Operations in Indonesia

Overview

The primary regulating authority for insurance and asset management businesses in Indonesia is the OJK. FWD Indonesia holds a life insurance license and a Shariah business unit approval, both issued by the OJK. Meanwhile, PT FWD Asset Management holds a license as an investment management company issued by the OJK.

Dividends and Distribution Restrictions

Under Law No. 40 of 2007 on Limited Liability Companies as amended by the Job Creation Law, if a company records positive earnings in a financial year, the company may distribute dividends to the shareholders. Interim dividends may also be distributed prior to the end of the company's financial year provided that the dividend distribution: (i) would not cause the company's net worth to become less than the amount of paid-up and issued capital plus required reserve; (ii) would not affect the company's capability to perform its obligations to its creditors; and (iii) would not affect the company's business activities. If the company suffers losses at the end of the financial year, then the shareholders shall return the distributed interim dividends to the company.

In addition to the above, OJK Regulation No. 71/POJK.05/2016 on Financial Soundness of Insurance and Reinsurance Companies, as amended, provides that an insurance company shall not make any dividend distribution if it would result in it not meeting its required internal solvency rate and equity.

Insurance Regulatory Framework

There are a wide range of regulations and restrictions relevant to an insurance company, all of which are under the primary law on insurance business activities, i.e., Law No. 40 of 2014 on Insurance Business ("**Indonesia Insurance Law**").

An insurance company must obtain an insurance business license from the OJK, which is the primary license that must be held by an insurance company in order to conduct insurance related activities. Only licensed insurance companies can insure risks in Indonesia and foreign investors can only participate in a domestic insurance business through a joint venture or by acquiring an existing insurance company. Composite insurance companies are not permitted (i.e., an insurer may only write life or non-life products) and parties wishing to operate across both life and non-life sectors need to do so through separate legal entities. This is the same for reinsurance companies, which may not write direct life or non-life insurance business. A direct life insurer may not write reinsurance, but a non-life insurer may write direct insurance and reinsurance.

OJK Authority

The OJK is the primary regulatory authority for insurance businesses and has the authority to issue regulations and policies applicable to insurance companies and also conduct day-to-day supervision over the companies.

OJK approval is required for any change in shareholdings of an insurance company (save for listed companies where there is no change in control). Further, all controlling shareholders, directors and commissioners of an insurance company are required to pass a 'fit and proper' test administered and evaluated by the OJK. OJK approval is also required for each product sold by the insurance company as well as any bancassurance agreements entered into by the insurance company.

Single Presence Policy

Under the Single Presence Policy, an entity can only be a "controlling shareholder" in: (i) one life insurance company; (ii) one general insurance company; (iii) one reinsurance company; (iv) one Shariah life insurance company; (v) one Shariah general life insurance company; and (vi) one Shariah reinsurance company.

Under the relevant regulations, a "controlling shareholder" is defined as an individual, a legal entity and/or a business group that (a) owns 25% (or more) of the issued shares with voting rights or capital; or (b) owns less than 25% of the issued shares with voting rights but where it is proven that the individual, legal entity and/or business group has control.

In order to comply with the Single Presence Policy, a controlling shareholder may undertake any of the following: (i) a merger of the entities within its control; (ii) a consolidation of entities within its control; (iii) a divestment of a portion or all of its shareholding in the insurance company; or (iv) any other corporate action based on OJK's approval, including a rights issue where the controlling shareholder does not exercise its rights to acquire newly issued shares under the rights issue.

The Single Presence Policy came into force on 17 October 2017 and each affected insurance company was required to submit an action plan to comply with the Single Presence Policy requirements by 23 June 2017 at the latest. OJK has discretion to determine the length of any grace period offered to the parties in terms of timing for compliance with the Single Presence Policy.

Foreign Ownership in an Indonesian Insurance Company

Foreign equity ownership in an Indonesian insurance company is capped at a maximum of 80% following a subscription for or purchase of shares, except that an insurer with existing foreign ownership in excess of the 80% limit prior to April 2018 will be grandfathered (and no sell down will be required).

In order to participate directly in the insurance company, the foreign entity must also be a life insurance company or a holding company having one of its subsidiaries conducting life insurance business. Besides being in the same line of business as the Indonesian company, the foreign shareholder must also satisfy certain various requirements under the insurance rules and OJK regulations.

Asset Management Regulatory Framework

An investment management company (manajer investasi) is subject to the authority of a different department in the OJK (i.e., primarily the OJK Capital Markets department).

In general, investment management companies may fall under the category of securities companies and as such shall also be subject to the relevant regulations. Bapepam-LK (which was the regulating authority over financial services institutions prior to the establishment of the OJK) Regulation No. V.A.3 as amended states that investment management can only be conducted by a securities company that has obtained an investment management license.

Foreign Ownership in an Indonesian Investment Management Company

Foreign equity ownership in an Indonesian investment management company is capped at a maximum of 85% foreign ownership for non-securities company entities and 99% for foreign entities that are licensed as a securities company in their respective jurisdiction.

Capitalisation

Under OJK Regulation No. 67/POJK.05/2016 on Licensing and Organisation of Insurance, Shariah Insurance, Reinsurance, and Shariah Insurances Companies, as amended, the minimum paid up capital for an insurance company is IDR150 billion.

Existing insurance and reinsurance companies (i.e., companies that have obtained business licenses prior to the issuance of OJK Regulation No. 67) are grandfathered from this minimum paid up capital requirement. However, any change of shareholders of the relevant insurance and reinsurance company will trigger the obligation for that company to comply with the minimum paid up capital requirement.

Minimum solvency ratio (Risk Based Capital)

Under OJK Regulation No. 27/POJK.05/2018 of 2018 on Financial Health of Insurance and Reinsurance Companies, an insurance company must maintain an internal solvency ratio of 120%.

Guarantee Fund

Under the Indonesia Insurance Law, an insurance company must set aside a guarantee fund for purposes of protecting policyholders and ensure the company's ability to make partial or all payments due to policyholders or insured parties in the event the company is liquidated.

The amount of the guarantee fund shall be determined by the OJK depending on the company's business but shall not be less than (at least) 20% of the issued capital of the company, which shall be the initial guarantee fund set aside upon the company's application for an insurance business license.

The company may not put any encumbrance on the fund and any transfer or disbursement must be with prior OJK approval.

Fit and Proper Test

There is an obligation for the prospective controlling shareholder(s) of an insurance company and other key parties to pass a "fit and proper" test. Pursuant to OJK Regulation No. 27/POJK.03/2016 on Fit and Proper Test for Key Parties in Financial Services Companies, the above obligation applies also to the following parties which are considered as "Key Parties" of an insurance company:

(i) controlling shareholder (Pemegang Saham Pengendali);

(ii) board of directors members;

(iii) board of commissioners members;

(iv) Shariah supervisory board members; and

(v) the internal auditor.

Based on OJK Regulation No. 27, the "fit and proper" process will take 30 business days following receipt of the complete "fit and proper" application documents by OJK. However, in practice, it typically takes 3-6 months to get the submission completed and the approval issued.

Products

Under POJK Regulation No. 23/POJK.05/2015 on Insurance Product and Distribution of Insurance Products, prior to marketing a standard insurance product, an insurance company must notify the OJK of the new product to obtain either an approval or a statement of registration. The notification must be submitted together with, among other things, the following documents:

(i) a copy of the insurance policy (to be in Indonesian or dual language);

(ii) for a life insurance product, a statement issued by an actuary setting out the premium rate, technical reserves and the actuarial assumptions used and relevant supporting data. Further, if the insurance product provides a cash value, a policy dividend or any other similar feature, the statement should also refer to the feature; and

(iii) the profit test or asset share.

For insurance products that are not a "standard insurance product," OJK approval is required prior to marketing the products. The approval will be issued within ten business days after the receipt of the complete application. For other products, the company must register the products with the OJK and OJK will issue a confirmation on the registration within seven business days.

Subsequently, all product policy modifications must be notified to the OJK.

If a product is marketed through a bancassurance arrangement, the insurers must seek OJK approval for each product that they sell (and must meet certain requirements for the sale of unit-linked products) and approval for the relevant bancassurance product agreements. All insurance products distributed through this arrangement must be subject to a co-operation agreement (i.e., a bancassurance product agreement).

In addition to the above, the OJK has released the draft ILP regulations which will be discussed and reviewed by the Indonesian Life Insurance Association. Major changes are proposed in the draft to cover product design, underlying investments and the ILP sales process.

Reporting requirements

Reporting requirements for insurance companies fall into two categories, i.e., (i) regular OJK reporting requirements, which refer to the periodical reporting obligations on the company's financial and operational condition; and (ii) mandatory OJK reporting requirements, which are submitted in relation to specific matters, which include the address and the articles of association of the insurance company and the insurance products marketed.

Failure to comply with these reporting requirements are subject to administrative sanctions ranging from written warnings to ultimately a revocation of the company's business license by the OJK.

Distribution channels

Under SEOJK No. 19/SEOJK.05/2020 on Insurance Product Distribution Channels ("**SEOJK 19/2020**"), the insurance product can only be sold through (i) direct marketing; (ii) agency; (iii) bancassurance and (iv) non-bank entities ("**BUSB**"). The insurance company is required to have a written agreement with the party that is selling the insurance product.

BUSBs may only distribute the insurance products through referrals. Businesses that operate the following distribution channels are required to obtain prior approval from the OJK: (i) bancassurance; (ii) cooperation with a BUSB which uses electronic systems; and (iii) an agent which implements Laku Pandai (Financial Services in the Framework of Financial Inclusion). All insurance companies that came into operation prior to the enactment of SEOJK 19/2020 must comply with SEOJK 19/2020 within one year of its enactment.

Investment-linked insurance products

Under OJK Circular letter No. 5/SEOJK.05/2022 on Investment-Linked Insurance Products ("**Circular 5/2022**"), insurance companies selling investment-linked insurance products must comply with certain offering, marketing, management of assets and operational requirements. These requirements relate to the infrastructure which the insurance companies must maintain (including investment management and reporting capability), the underlying investments which may be offered in connection with investment-linked insurance companies, product terms and conditions (including minimum coverage benefits) and capital requirements. Given Circular 5/2022 was only issued by OJK in March 2022, the insurance industry is in ongoing discussions with OJK on the circular's interpretation and the application of transitional provisions. As a result, the impact of Circular 5/2022 on the Group's business and operations in Indonesia may continue to evolve.

Laws and Regulations Relating to the Group's Business and Operations in Singapore

Overview

FWD Singapore is licensed by the Monetary Authority of Singapore (the "**MAS**") to underwrite and sell both life and general insurance pursuant to the Insurance Act 1966 (the "**Singapore Insurance Act**"). In particular, FWD Singapore may carry on any of the following activities in Singapore relating to both life insurance and general insurance: the receipt of proposals for policies; the issuing of policies; and the collection or receipt of premiums on insurance policies.

An insurer in Singapore must pay a prescribed annual fee.

Capital Requirements, Minimum Solvency and Dividends

Licensed insurers in Singapore are subject to a risk-based capital framework. The framework sets out the valuation methodology for assets and liabilities, rules relating to the operations of life insurance funds, capital requirement rules, the role of actuaries, and a set of statutory reporting standards. An insurer has to notify the MAS when it has failed or is likely to fail to comply with the mandated risk-based capital indicators or when a financial resources warning event has occurred or is likely to occur. A licensed insurer is required at all times to maintain a minimum level of paid-up ordinary share capital and to ensure that its financial resources are not less than the minimum thresholds set by MAS. Regulations issued under the Singapore Insurance Act require FWD Singapore to maintain minimum paid-up capital of at least SGD10 million. In addition, FWD Singapore has to meet the capital adequacy requirements prescribed by the Singapore Insurance Act, i.e. FWD Singapore's financial resources must not at any time be less than (a) the amount of the total risk requirement of at the higher solvency intervention level, or SGD5 million, whichever is higher; and (b) the amount of the total risk requirement of at the lower solvency intervention level, or SGD5 million, whichever is higher.

Under the One-Tier Corporate Taxation System, the tax on corporate profits is final and dividends paid by a Singapore-resident company are tax-exempt in the hands of shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

No dividend shall be payable to the shareholders of any company incorporated in Singapore except out of profits and any profits of a company applied towards the purchase or acquisition of its own shares in accordance with the relevant provisions of the Companies Act 1967, shall not be payable as dividends to the shareholders of the company. There are no general regulatory restrictions against the payment of dividends by insurers in Singapore.

Separate Accounts Requirement

Every licensed insurer is required to establish and maintain a separate insurance fund (a) for each class of insurance business carried on by the insurer that (i) relates to Singapore policies and (ii) relates to offshore policies; (b) for its investment-linked policies and for its non-investment-linked policies; and (c) if no part of the surplus of assets over liabilities from an insurer's non-participating policies is allocated by the insurer by way of bonus to its participating policies, in respect of non-investment-linked policies (i) for participating policies and (ii) for non-participating policies.

A licensed insurer is also required to fulfil fund solvency requirements in respect of any insurance fund established and maintained by that insurer. In this regard, the licensed insurer must ensure that the total assets of the fund must not at any time be less than the total liabilities of the fund.

Regulation of Products

A licensed insurer registered to carry on life business may only issue a life policy or a long-term accident and health policy if the premium chargeable under the policy is in accordance with rates fixed with the approval of an appointed actuary or, where no rates have been so fixed, is a premium approved by the actuary. It is also a licensing condition of FWD Singapore that FWD Singapore shall consult and obtain the approval of MAS before introducing policies for general business insuring risks which have not been previously written in the Singapore insurance market.

Personal Data Protection

Personal data in Singapore is protected under the Personal Data Protection Act 2012 ("**PDPA**"). The PDPA governs the collection, use, disclosure and care of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose the same for purposes that a reasonable person would consider legitimate and reasonable in the circumstances. Under the PDPA, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access.

Generally, the PDPA imposes the following obligations on relevant persons: obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

Laws and Regulations Relating to the Group's Business and Operations in Vietnam

The below describes the rules and regulations that are material to FWD Vietnam, the Group's business in Vietnam, which holds an establishment and operation license issued by the Ministry of Finance.

Overview

In Vietnam currently, the Law No. 24/2000/QH10 on Insurance Business ("**Law on Insurance Business**") promulgated on 9 December 2000, amended in 2010 and 2019 and its guiding decrees and circulars are the main legislation regulating the insurance business activities in Vietnam. On 16 June 2022, the new insurance law was passed by the National Assembly of Vietnam. This new law will come into effect from 1 January 2023 except for some requirements having a transition period. A decree providing guidance on the implementation of the new law will be issued by the Government of Vietnam.

The main governmental authority who is responsible for supervising and controlling of the insurance company activities is the Ministry of Finance, especially the Insurance Supervisory Authority (a subordinate department within the Ministry of Finance). The Ministry of Finance takes full responsibilities before the Government in exercising the State management of the insurance business sector pursuant to Article 121.2 of the Insurance Business Law. The Insurance Supervisory Authority, on the other hand, advises and assists the Ministry of Finance in implementing the State management of the insurance business sector and directly manages and supervises (i) insurance business activities and (ii) services in the insurance business sector in accordance with the laws, per Article 1 of Decision No. 1799/QĐ-BTC.

Capital Requirements, Solvency and Dividends

It is required under the current law that the paid-up charter capital must be at least equal to the level of legal capital required by Decree No. 73/2016/ND-CP, which is VND600 billion for life insurance and VND700 billion for life reinsurance. Any change to the charter capital must be approved by the Ministry of Finance. The new law does not specify this matter but authorises the Government of Vietnam to stipulate the detailed minimum legal capital for each type of insurance company. Additionally, no later than 60 days from the date of issuance of the license, the insurance company must deposit a portion equal to 2% of its legal capital into an escrow account opened at a licensed commercial bank in Vietnam.

The insurance company is obliged to make an annual appropriation of 5% of its after-tax profit to establish a compulsory reserve fund. The maximum amount of the compulsory reserve fund shall be equal to 10% of the charter capital of the insurance company. The new law sets out a similar requirement, however, the maximum amount of the fund will be later decided by the Government of Vietnam. In addition, the insurance company has to contribute to the fund for protection of the insured at the amount specified by the Ministry of Finance annually. The contributions shall be required until the scale of the fund is equal to 3% of the total assets of life insurance companies. This requirement will be ceased from 1 January 2023 as the new law no longer requires such condition. The balance of the fund, which has been accumulated over the years, will be managed and used as per guidance of the Government of Vietnam.

The insurance company shall be deemed to satisfy the solvency requirements if (i) it has fully established the insurance reserves; and (ii) its solvency margin is not less than the minimum solvency margin stipulated by relevant governmental decree. However, the new law abolishes the regulation on solvency margin and replaces it with regulations on capital adequacy ratio under the guidance of the Ministry of Finance corresponding to the size and level of risk of the business. This change may cause pressure to raise capital for certain insurers. Nevertheless, the new law allows a transition period of 5 years from the effective date of this law to 2027 where the insurer need to fully comply with the capital adequacy ratio.

Reinsurance

In addition to other conditions in this regulatory framework, the insurance company must satisfy the following requirements to conduct life reinsurance business (i) legal capital of VND700 billion; (ii) maximum level of the liability retained on each risk or on each separate loss not to exceed ten percent of its equity; and (iii) insurance reserves and solvency margin similar to those of life insurance businesses. This requirement has been updated under the new law. Accordingly, a reinsurer will need to maintain the insurance reserves and the solvency margin at the same level of an insurance company. For the legal capital and the maximum level of the liability, the Government of Vietnam will provide detailed requirements at a later stage.

Other Material Changes under the New Insurance law

Currently, foreign investors are allowed to own up to 100% of the charter capital or shares of an insurance or re-insurance company in Vietnam, subject to a case by case approval of the licensing authority. However, the new law has confirmed clearly that foreign investors are allowed to own 100% shares or charter capital of insurance and reinsurance companies according to Vietnam's commitments in World Trade Organization and other international treaties.

Under the new law, insurers will be more autonomous in their business activities while the role of the regulators will be to provide oversight, promote transparency, and the healthy development of the insurance market. For example, the new law supplements the duties and powers of the Ministry of Finance in the management, supervision, inspection, and handling of violations of the law on insurance business, such as establishing a mechanism to share management and supervisory information with the State Bank of Vietnam and other ministries related to insurance business activities.

Under the new law, the scope of agency activities will be limited to certain types of activities compared to those under the current Law on Insurance Business, which are open for agreement between the insurance companies and the agencies. Subject to further guiding documents of the competent authorities in Vietnam, this change may impact the operation of the agencies system.

Recognising the application of technology in insurance business, for the first time, the new law provides general regulations for the sale of insurance products via online channels. Accordingly, insurers, foreign insurer's branches, insurance agencies, insurance brokers, and microinsurance companies are permitted to sell their products and services via online channels. These entities must set up, maintain and operate the IT system for such distribution channel. The Ministry of Finance will provide further details regarding this matter at a later stage.

The new law also introduces stricter disclosure requirements.

Laws and Regulations Relating to the Group's Business and Operations in Malaysia

Overview

FWD Takaful is regulated by the Ministry of Finance in Malaysia and the Central Bank of Malaysia, Bank Negara Malaysia ("**BNM**"). FWD Takaful carries on family takaful business including investment-linked business, and is licensed under the Islamic Financial Services Act 2013 ("**IFSA**").

The Malaysian statute that provides for takaful business requirements is the IFSA. BNM is the regulatory body responsible for administering the IFSA, and supervising and regulating the conduct of takaful operators in Malaysia. BNM has broad powers, which include the power to request for the submission by a takaful operator of documents or information as may be required by BNM, make regulations with the approval of the Ministry of Finance in Malaysia, and issue policy documents, guidelines, circulars or notices relating to the conduct of the business and affairs of a takaful operator.

In carrying out its business activities, a takaful operator is required to comply with the IFSA, and the regulations and policies imposed by BNM. In addition, a takaful operator is required to comply with applicable Shariah law and ensure that its operations are consistent with principles of Islamic laws applicable to its business.

The Shariah authority of Malaysia in Islamic Finance is the Shariah Advisory Council. The Shariah Advisory Council was established by BNM and is the Shariah authority referred to by local courts and arbitrators in disputes involving Shariah issues in Islamic banking, finance and takaful cases. The resolutions passed by the Shariah Advisory Council on the interpretation of Shariah law and principles are applicable to all Islamic financial institutions, including takaful operators.

A takaful operator is required to establish a Shariah committee. The Shariah committee must consist of a minimum of five members approved by BNM. The main duties and responsibilities of the Shariah committee are to ensure that the takaful operator's aims and operations, business, affairs and activities are in compliance with Shariah. This includes providing a decision or advice to the takaful operator on the application of any rulings of the Shariah Advisory Council or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the takaful operator, deliberating and affirming a Shariah non-compliance finding by any relevant functions, and endorsing a rectification measure to address a Shariah non-compliance event.

Capital Requirements, Solvency and Dividends

A takaful operator is required to maintain at all times a minimum paid-up share capital of RM100,000,000. Presently, all takaful operators are required to have a minimum capital adequacy ratio of 130% and must maintain an internal target capital adequacy ratio which is above 130%. In computing the capital adequacy ratio percentage, factors such as retained profits and general reserves are taken into account. Failure to maintain the minimum capital adequacy ratio will attract supervisory actions by BNM including business restrictions and/or restructuring measures, and potentially actions to resolve the financial position of a takaful operator. A takaful operator must maintain at all times assets of equivalent or higher value than the liabilities of the takaful fund. Where a deficiency arises, the takaful operator is required to provide qard or other forms of financial support to the takaful fund from the shareholders' fund for an amount and on such terms and conditions as may be specified by BNM.

A takaful operator may only withdraw from a takaful fund, whether from surplus or otherwise of the takaful fund, if the withdrawal requirements as may be specified by BNM are complied with, the withdrawal does not impair the sustainability of the takaful fund to meet its liabilities, and the interests and fair treatment of takaful participants including their reasonable expectations, have been given due regard. A takaful operator must obtain the prior written approval of BNM for all declarations and payments of any dividends. In addition to the restrictions on withdrawal from a takaful fund and declaring and paying dividends above, the Companies Act 2016 provides that a Malaysian company may only make a distribution to its shareholders out of profits of the company available if the company is solvent.

Acquisition of interest in shares requiring BNM approval

A person is prohibited from entering into an agreement or arrangement to acquire shares in a takaful operator which will result in the person holding an aggregate of 5% or more interest in the shares of the takaful operator, without the prior approval of BNM or the Ministry of Finance in Malaysia (acting on the recommendation of BNM), as the case may be.

Laws and Regulations Relating to the Group's Business and Operations in Bermuda

Overview

FWD Life (Bermuda) is regulated in respect of its insurance business by the Bermuda Monetary Authority (the "**BMA**") in Bermuda. FWD Life (Bermuda) is subject to the Bermuda Insurance Act 1978 and related regulations, each as amended (the "**Bermuda Insurance Act**") which provides that no person shall carry on any insurance business in or from within Bermuda unless registered as an insurer under the Bermuda Insurance Act by the BMA. Further, a registered insurer shall not engage in any non-insurance business except where such business is ancillary to the insurance business carried on by the insurer. The Bermuda Insurance Act imposes solvency and liquidity standards, as well as auditing and reporting requirements on Bermuda insurance companies. The Bermuda Insurance Act also grants to the BMA powers to supervise, investigate, discipline, censure and intervene in the affairs of Bermuda registered insurance companies and its officers/operators.

Bermuda Licenses held by FWD Life (Bermuda)

The Bermuda Insurance Act distinguishes between insurers carrying on long-term business, insurers carrying on general business and insurers carrying on special purpose business. FWD Life (Bermuda) is registered in Bermuda as a Class 3 general business insurer and a Class E long-term insurer under the Bermuda Insurance Act and, as such, has the authority to conduct both general and life insurance business as a composite insurer under the Bermuda Insurance Act except that FWD Life (Bermuda) is required to obtain the BMA's prior written approval before it effects any contracts of insurance or reinsurance with respect to its Class 3 general business license.

Capital and Solvency Requirements

A composite insurer like FWD Life (Bermuda) is required to maintain a fully paid up share capital of at least US$370,000. In addition, the Bermuda Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin.

The minimum solvency margin requirement in respect of a Class E insurer's long-term business is the greater of:

(i) US$8,000,000;

(ii) 2% of assets of first US$500,000,000 plus 1.5% of the relevant assets above US$500,000,000; and

(iii) 25% of the enhanced capital requirement ("**ECR**") as reported at the end of the relevant year.

Class E insurers are also required to maintain available statutory economic capital and surplus at a level equal to or in excess of its ECR established in accordance with the Bermuda Insurance Act.

While not specifically referred to in the Bermuda Insurance Act, the BMA has also established a target capital level ("**TCL**") for each Class E insurer equal to 120% of its ECR. The TCL serves as an early warning tool for the BMA and if FWD Life (Bermuda) fails to maintain statutory capital at least equal to the TCL this will likely result in increased regulatory oversight.

With respect to its general business, a Class 3 insurer is required to maintain a minimum solvency margin equal to the greatest of:

(i) US$1,000,000;

(ii) 20% of net premiums written, where the net premiums written do not exceed US$6,000,000; or, where the net premiums written do exceed US$6,000,000, US$1,200,000 plus 15% of net premiums written over US$6,000,000; and

(iii) 5% of loss, and loss expenses provisions, and other general business insurance reserves, where "net premiums written" means, in relation to a Class 3 insurer, the net amount, after deductions of any premiums ceded by the insurer for reinsurance, of the premiums written by the insurer in that year in respect of general business.

If an insurer at any time fails to meet its minimum solvency margin requirements, it must, upon becoming aware of such failure, immediately notify the BMA and, within 14 days thereafter, file a written report with the BMA containing particulars of the circumstances that gave rise to the failure and setting out its plan detailing specific actions to be taken and the expected timeframe in which the insurer intends to rectify the failure.

Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable and funds held by ceding reinsurers. There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans.

The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (such terms are not defined and are subject to interpretation) and letters of credit and guarantees.

Dividends and Distributions Restrictions

As a long-term insurer, FWD Life (Bermuda) shall not declare or pay a dividend unless the value of its assets as certified by its approved actuary, exceeds its liabilities (as so certified) by the greater of its margin of solvency and its ECR and the amount of any such dividend shall not exceed that excess.

FWD Life (Bermuda) is prohibited from declaring or paying any dividends during any financial year if it is, or by virtue of paying such dividends would be, in breach of its applicable solvency margins, enhanced capital requirements or liquidity ratio. If FWD Life (Bermuda) fails to meet its applicable solvency margins or liquidity ratio on the last day of any financial year, it will be prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA.

Also, FWD Life (Bermuda) shall not declare or pay a dividend to any person other than a policyholder unless the value of the assets of its long-term business fund, as certified by the insurer's approved actuary, exceeds the extent (as so certified) of the liabilities of the insurer's long-term business; and the amount of any such dividend shall not exceed the aggregate of:

(i) that excess; and

(ii) any other funds properly available for the payment of dividend.

Further, FWD Life (Bermuda) shall not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless: at least seven days before payment of those dividends it files with the BMA an affidavit signed by: (a) at least two directors of the insurer (one of whom must be a director resident in Bermuda if the insurer has a director so resident), and (b) the insurer's principal representative in Bermuda, which states that in the opinion of those signing, declaration of those dividends has not caused the insurer to fail to meet its relevant margin.

The restrictions on declaring or paying dividends or distributions under the Bermuda Insurance Act are in addition to the solvency requirements under the Companies Act 1981 which restrict Bermuda companies from declaring or paying a dividend or making a distribution out of contributed surplus if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than its liabilities.

Laws and Regulations Relating to the Group's Business and Operations in the Cayman Islands

Overview

The below are our principal Group entities domiciled in the Cayman Islands:

(i) our Company;

(ii) FL;

(iii) FGL; and

(iv) FWD Reinsurance.

As entities domiciled in the Cayman Islands, each of the above entities will have obligations under the laws of Cayman Islands. FWD Reinsurance is also licensed as a Class B Insurer by the Cayman Islands Monetary Authority ("**CIMA**") under the Insurance Act (as amended) of the Cayman Islands ("**Insurance Act**"), and material regulatory obligations in relation to the license apply to FWD Reinsurance.

Licensing requirements

An insurance business must not be carried on in or from the Cayman Islands without a valid license. FWD Reinsurance is licensed by CIMA as a Class B Insurer under the Insurance Act. A Class B license allows the holder to carry on insurance business, other than domestic insurance business in the Cayman Islands, of which:

(i) at least 95% of the net premiums written will originate from the insurer's related business;

(ii) over 50% of the net premiums written will originate from the insurer's related business; or

(iii) 50% or less of the net premiums written will originate from the insurer's related business.

FWD Reinsurance holds a Class B (iii) license under the Insurance Act. A Class B (iii) license requires that 50% or less of the net premiums written will originate from the insurer's related business.

Capital requirements

FWD Reinsurance must meet the minimum capital requirements and the prescribed capital requirements under the Insurance (Capital and Solvency) (Classes B, C and D Insurers) Regulations, 2012 of the Cayman Islands. FWD Reinsurance must also have an established risk management framework that is appropriate for the size and complexity of FWD Reinsurance and the nature of its risk exposures.

The capital requirement for Class B (iii) licensees are as follows:

(i) General: minimum capital requirement of US$200,000 and prescribed capital requirement of 15% of Net Earned Premium ("**NEP**") on the first US$5,000,000, 7.5% on additional NEP of up to US$20,000,000 and 5% on additional NEP in excess of US$20,000,000.

(ii) Long-term: minimum capital requirement of US$400,000 and a prescribed capital requirement that is equal to the minimum capital requirement.

(iii) Composite: minimum capital requirement of US$600,000 and a prescribed capital requirement which is an aggregate of the amount required to support the general business plus the minimum capital requirement.

FWD Reinsurance operates as a segregated portfolio company ("**SPC**"). FWD Reinsurance, as a single legal entity, must maintain the minimum net worth requirements under the Insurance Act. To ensure the viability of the SPC, CIMA expects each individual segregated portfolio will be solvent in its own right. In respect of each segregated portfolio, FWD Reinsurance must:

(i) meet the prescribed margin of solvency;

(ii) file annual returns with CIMA; and

(iii) the annual returns in respect of each segregated portfolio must be prepared using the same financial year.

CIMA reporting requirements

An annual return must be filed within six months after the financial year end of FWD Reinsurance.

Fit and proper directors and controllers

FWD Reinsurance must be controlled and managed by persons that CIMA regards as fit and proper. FWD Reinsurance must have a minimum of two executive directors. Any change in directors, officers and managers of FWD Reinsurance must be pre-approved by CIMA.

Any direct or indirect change of control of FWD Reinsurance must have the pre-approval of CIMA.

Business conduct requirements

FWD Reinsurance must comply with CIMA's expectations in connection with the conduct of its business. This includes having regard to guidance in connection with outsourcing, corporate governance, record keeping, cybersecurity, marketing, internal controls, reinsurance and business continuity management.

FWD Reinsurance may only carry out its business in accordance with the business plan submitted to CIMA. Any changes to the business plan must have the prior written approval of CIMA.

Anti-money laundering, counter-terrorist financing, prevention of proliferation financing and financial sanctions compliance

All Cayman entities must ensure that they comply with the financial sanctions applicable in the Cayman Islands. The Government of the United Kingdom passes Orders in Council implementing United Nations, European Union and United Kingdom sanctions and extending such sanctions to its Overseas Territories through Overseas Orders in Council, including the Cayman Islands. The Cayman Islands Financial Reporting Authority ("**FRA**") administers and coordinates the implementation of financial sanctions in the Cayman Islands.

If any person resident in the Cayman Islands knows or suspects, or has reasonable grounds for knowing or suspecting, that another person is engaged in criminal conduct, is involved with terrorism or terrorist property or proliferation financing or is the business combination partner of a financial sanction target and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the FRA, pursuant to the Proceeds of Crime Act (as amended) of the Cayman Islands if the disclosure relates to criminal conduct, money laundering or proliferation financing or is the business combination partner of a financial sanction target; or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (as amended) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report will not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

FWD Reinsurance must comply with the Cayman Islands anti-money laundering, counter-terrorist financing and proliferation financing regime. This includes having procedures in place that are consistent with such regime and having an Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer appointed. The roles of these officers must be fulfilled by suitable individuals at managerial level, with suitable qualifications, experience and resources. FWD Reinsurance has the right to refuse to make any payment to a shareholder if its directors or officers suspect or are advised that the payment to such shareholder might result in a breach of applicable anti-money laundering, counter-terrorist financing, prevention of proliferation financing and financial sanctions or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure compliance with any such laws or regulations in any applicable jurisdiction.

Data protection requirements

All Cayman Islands entities that are controlling personal data will be subject to the Data Protection Act (as amended) ("**DPA**"). The DPA will apply irrespective of the location of the data subject. The DPA is based on eight data principles including fair and lawful use, purpose limitation, data minimisation, data accuracy, storage limitation, respect for the individual's rights, security and international transfer of data. Any personal data controlled by Cayman Islands entities must be undertaken in accordance with the DPA.

Economic substance

The Cayman Islands Economic Substance Act (as amended) ("**ES Act**") requires "relevant entities" carrying on a "relevant activity" to meet prescribed economic substance requirements. A Cayman company that is tax resident outside of the Cayman Islands is not a "relevant entity." Companies must annually notify their registered office of their classification under the ES Act, including if they are tax resident outside of the Cayman Islands. If they are tax residents outside the Cayman Islands, or are carrying on a relevant activity, they must file an annual report with the Tax Information Authority.

B. TAXATION

The following is a general summary of certain Hong Kong and Cayman Islands income tax consequences relevant to an investment in the Shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this document, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address tax laws of jurisdictions other than Hong Kong and the Cayman Islands. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of the Shares.

Hong Kong Taxation

The following is a discussion on Hong Kong taxation, which is a general summary of present law and is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Hong Kong law.

Profits Tax on our Company

Our Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%, unless such profits are chargeable under the half-rate of 8.25% that may apply for the first HK$2 million of assessable profits for years of assessment beginning on or after 1 April 2018. Dividend income derived by our Company from its subsidiaries will be excluded from Hong Kong profits tax.

Tax on Dividends received by Shareholders

No tax is payable in Hong Kong in respect of dividends paid by our Company.

Profits Tax on Shareholders

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.26% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the [**REDACTED**]. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

Cayman Islands Taxation

The following is a discussion on Cayman Islands taxation, which is a general summary of present law and is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of the Shares. Stamp duties may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered with the United Kingdom in 2010 but is otherwise not party to any double tax treaties that are applicable to any payments made to or by us. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Our Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and has obtained an undertaking from the Financial Secretary of the Cayman Islands in the following form.

The Tax Concessions Act (2018 Revision) Undertaking as to Tax Concessions

In accordance with the provision of Section 6 of The Tax Concessions Act (2018 Revision), the Financial Secretary had undertaken to our Company that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations and no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations of our Company or by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (2018 Revision). These concessions shall be for a period of 20 years from 7 May 2021.

OVERVIEW

We are a fast-growing Pan-Asian life insurer with a customer-led and digitally-enabled model.

We were founded in 2013 by our founder, Mr. Li, with the ambition of forging our own path as a next-generation insurer in Asia. Our vision is *changing the way people feel about insurance*. By adopting a multi-channel distribution model, investing in robust technology capabilities, digital infrastructure and data analytics, as well as expanding partnership and referral opportunities, we have been able to quickly capture market opportunities and stay ahead of the industry average in terms of certain key performance indicators, such as APE growth rates, in the markets in which we operate. We have built our leadership team and culture to align with this vision.

We have grown from three markets at inception to ten markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, and Emerging Markets, comprising the Philippines, Indonesia, Singapore, Vietnam and Malaysia. We have entered certain of these new markets by obtaining new licenses (such as in the Philippines and Indonesia) or via the acquisition of licensed life insurers with limited operations locally (such as in Singapore, Vietnam, Malaysia and Cambodia). Excluding the declining COLI business in Japan due to taxation rule changes, our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets operations contributed 31.1%, 33.0%, 15.6% and 20.3% of our VNB in 2021 and 23.5%, 39.2%, 16.5% and 20.7% of our VNB in the three months ended 31 March 2022, respectively. This provides us with access to some of the fastest growing insurance markets in the world with an expanding but underinsured population. Our Southeast Asia markets contributed over 50% of our VNB in 2021 and the three months ended 31 March 2022. We achieved 4.7 times growth of our APE in 2021 since our first full year of operations in 2014, growing from US$309 million in 2014 to US$1,446 million in 2021, and our VNB grew 5.6 times over the same period, increasing from US$123 million in 2014 to US$686 million in 2021. Our APE and VNB further grew to US$405 million and US$191 million in the three months ended 31 March 2022 in comparison to US$404 million and US$172 million in the three months ended 31 March 2021, respectively. We recorded total revenue of US$11,697 million and a net profit of US$249 million in 2021. We recorded total revenue of US$2,733 million and a net loss of US$101 million in the three months ended 31 March 2022.

We are customer-led and we put customers at the heart of everything we do. To maximise customer touch points and offer a desirable experience, we adopted a digitally-enabled, multi-channel distribution model to enhance, extend and empower our distribution, effectively serving diverse customer needs and meeting customers wherever, whenever and however they choose. Our distribution channels include bancassurance, agency, brokerage/IFA and others, which includes neo-insurance and other distribution channels. Excluding the COLI business in Japan, these channels contributed 40.4%, 26.0%, 23.9% and 9.7% of VNB in 2021, respectively. To serve sophisticated, affluent and mass affluent customers who value personalised interactions, we have built a leading Southeast Asian bancassurance franchise with nine exclusive partnerships. We are ranked sixth among multi-national insurers globally in terms of the number of MDRT-registered members in 2022, up from tenth in 2021. We have also built a neo-insurance model to effectively reach digitally native, tech-savvy and young-at-heart customers through our D2C eCommerce platform, our bank partners' digital channels and ecosystem partners' platforms supported by API integration and O2O referral programmes. Together, our distribution channels grant us access to a number of exclusive and non-exclusive bank partners, with a combined customer base of up to 200 million, according to NMG.

We offer easy-to-understand and relevant propositions through our diverse portfolio of life insurance, health insurance, employee benefits (group insurance) and financial planning products. We classify our key products into (i) participating life, (ii) non-participating life, (iii) critical illness, term life, medical and riders, (iv) unit-linked insurance, (v) group insurance, and (vi) COLI, which contributed 19.9%, 19.1%, 38.7%, 11.2%, 6.9% and 4.2% of VNB in 2021, respectively. Through our digital tools and data analytics, we have made our customers' insurance journeys simpler, faster and smoother, providing them with an experience that we believe is best-in-class. As a result of our commitment to understanding and addressing our customers' various insurance needs and pain points, we ranked in the top three among insurance brands for customer experience in four of our markets. FWD achieved a number one ranking for Vietnam and Thailand in the KPMG Global Customer Experience Excellence Report in 2021. In addition, FWD also achieved a number one ranking for Singapore and a number two ranking in Indonesia in 2021 according to a KPMG Customer Experience Survey.

Market Opportunities and Growth Drivers. We have built a Pan-Asian presence with success driven by our ability to adapt to evolving market trends and customer needs. According to NMG, the aggregate life insurance GWP in our current markets is estimated to be US$427 billion in 2020, with the overall GWP in Asia forecasted to grow 1.9 times from 2020 to 2030, offering significant market opportunities ahead. We believe that structural demographic and macroeconomic factors, including middle-class expansion, ongoing wealth accumulation, a significant protection gap, which is the estimated additional life insurance premiums needed annually to fully meet mortality and health protection needs, as well as digital acceleration, are key drivers for the growth of the Pan-Asian insurance sector. We are present in seven of the top ten fastest growing markets in Asia, according to NMG, including a strong focus on Southeast Asia.

Addressing Insurance Pain Points. When we established FWD in 2013, we conducted customer behaviour studies and identified multiple pain points in the insurance journey that created barriers to purchase. We have found that underserved customers were offered complex, standard and jargon-laced products through aggressive marketing. At the same time, distributors lacked timely access, natural touchpoints and insights into these prospective customers to serve them effectively. Customers were also faced with convoluted paper-based and time-consuming purchase and claims processes, coupled with limited post-sale engagement and unsatisfactory customer service. We believe that these customers are deterred from purchasing the protection they need because of this frictional customer journey. We decided to challenge the traditional business model and tap into this insurance "white space".

Customer-led Strategy. To address these challenges, we adopted a customer-led strategy designed to champion our customers' needs and create a desirable customer journey. We aim to make insurance (1) *easy to know* with transparent and tailored propositions, (2) *easy to buy* with the introduction of paperless applications and auto-underwriting for certain products and markets, (3) *easy to claim* with a smart claims process and swift payment, (4) *easy to engage* with end-to-end lifetime interaction, and (5) *easy to love* with a distinctive brand. We believe our multi-channel distribution strategy allows us to meet our customers wherever and whenever they choose, across tech-enabled touch points, with O2O and cross-channel referrals creating a seamless customer journey that presents cross-selling and up-selling opportunities.

We believe that our customers are drawn to these value propositions. Our individual policyholders increased at a CAGR of 12.2% from 31 December 2019 to 31 March 2022. In terms of organic new individual policyholders, we recorded a CAGR of 25.6% from 2019 to 2021, and 20.7% growth from the three months ended 31 March 2021 to the three months ended 31 March 2022. Importantly, we have gained traction amongst the millennial (defined as those aged under 40) customer segment, which has high lifetime value, according to NMG.

Digitally Focused. We are a digitally-enabled insurer. Underpinned by our data analytics and technology capabilities, we have constructed a digital architecture that is standardised across our Group. Our integrated, cloud-based Data Lake captures a holistic customer view and informs every customer interaction and decision across business divisions in real time. Our digital systems and toolkits across our prospecting, purchasing, underwriting, claims and servicing functions are built upon AI and big data analytics. This has enabled us to understand our customers' needs and how and when they would like to be engaged, deliver improved customer and distributor experiences, and enhance our operational efficiency. To further our digital capabilities, we have continued to expand our investment in research and development and technology headcount.

Sustainable and Value-Focused Growth. We have experienced substantial growth and demonstrated a strong track record of execution. Our Pan-Asian franchise combines our operations in the Philippines, Indonesia, Singapore, Vietnam and Malaysia, which are growing rapidly and efficiently, and our sizeable operations in Hong Kong (and Macau), Thailand (and Cambodia) and Japan. Our growth is defined by the following aspects:

- Value creation: We recorded total VNB of US$686 million and US$191 million and protection ratios of approximately 52% and 48% in 2021 and the three months ended 31 March 2022, respectively. Our Underlying VNB increased at a CAGR of 18.8% on a CER basis (18.8% on an AER basis) since 2019 to US$446 million in 2021. Such growth represents a 12.4% on a CER basis (13.5% on an AER basis) year-on-year increase from 2019 to 2020, a 25.7% on a CER basis (24.5% on an AER basis) year-on-year increase from 2020 to 2021. Our EV equity grew by 46.8% from US$4.8 billion as of 31 December 2019 to US$7.1 billion as of 31 December 2020, which further grew by 27.5% to US$9.1 billion as of 31 December 2021, and decreased by 0.3% to US$9.0 billion as of 31 March 2022.

- Scale: Backed by both rapidly growing new business and a significant book of in-force business, we achieved TWPI of US$6.9 billion in 2021 which grew at a CAGR of 21.3% since 2019, and we reported TWPI of US$1.9 billion in the three months ended 31 March 2022. At the same time, our operating expense and commission variance decreased by 12.5% from 2020 to 2021 and by 30.6% from the three months ended 31 March 2021 to the three months ended 31 March 2022 reflecting our prudent cost control as we scaled our business.

- Profitability: Our EV operating profit, an actuarial performance measure, grew from US$550 million in 2019 to US$885 million in 2021, representing a CAGR of 26.9%. Our EV operating profit increased by 19.5% from US$239 million in the three months ended 31 March 2021 to US$285 million in the three months ended 31 March 2022. We recorded net profit of US$249 million in 2021 compared with net losses of US$332 million and US$252 million in 2019 and 2020, respectively. We recorded a net loss of US$101 million in the three months ended 31 March 2022, which was primarily due to short-term fluctuations in investment returns from fair value losses on our equity portfolio. Our net profit in 2021 was primarily driven by an increase in investment return, whereas net losses in 2019 and 2020 were primarily due to (i) increases in financing costs, which reflected additional bank borrowings in 2020, and (ii) one-off acquisition and related integration costs, and implementation costs for IFRS 9 and 17 and Group-wide Supervision, which were partially offset by gains in short-term fluctuations in investment returns. See "*Financial Information – Key Performance Indicators*" and "*Financial Information – Factors and Trends Affecting our Results of Operations – Investment portfolio performance*" for details. In addition to net profit/(loss), we also look at segmental adjusted operating profit before tax, a non-IFRS performance measure, which grew from US$47 million in 2019 to US$205 million in 2021, representing a CAGR of 105.9%, and grew by 33.1% from US$88 million in the three months ended 31 March 2021 to US$117 million in the three months ended 31 March 2022.

- Capital management: Our business is supported by a strong balance sheet to allow for future growth. The solvency ratios of our key operating companies in Hong Kong, Thailand and Japan were 233%, 341% and 1,248% as of 31 March 2022, respectively, and 237%, 358% and 1,155% as of 30 June 2022, respectively, which are well above the minimum local regulatory requirements in these markets. Under the GWS which came into effect in May 2021, our cover ratio assessed under the LCSM as of 31 December 2021, 31 March 2022 and 30 June 2022 would be 592%, 577% and 593%, respectively, and the ratio of our tier 1 capital to our GMCR would be 315%, 325% and 302%, respectively, before giving effect to the [**REDACTED**] of the [**REDACTED**], assuming that all of our outstanding preference shares and convertible preference shares had been exchanged for ordinary shares on that date. See "*Financial Information – Group Capital Adequacy*" for details.

We believe that our customer-led and digitally-enabled strategy positions us to stay true to our vision of *changing the way people feel about insurance*. Combining this with our Pan-Asian geographical reach, extensive customer access, distinctive brand and propositions, digitally empowered distribution excellence as well as a proven track record in organic growth and M&A execution, we believe that we are well-positioned to capture the substantial growth prospects across our markets.

OUR COMPETITIVE STRENGTHS

Since our inception in 2013, we have positioned ourselves as a trusted provider of customer-led propositions to our customers and as a value-generative partner to our bank and ecosystem partners across Asia. We believe that the following competitive strengths have provided us with an edge to maintain our strong growth:

Fast-growing Pan-Asian Life Insurer Capturing Growth Opportunities in the Most Attractive Markets in the Region

Our geographic reach and growth are substantial. We achieved over US$5 billion in annual gross premiums within seven years of operations. Since the launch of our brand in Hong Kong, Macau and Thailand in 2013, we have expanded into seven new markets by means of obtaining new licenses and acquisitions, and selected value-accretive acquisitions to establish scale. In particular, we have targeted markets where we have identified what we see as substantial insurance "white space" and underserved populations. We believe that our expansion is a testament to our success in activating the large, young, emerging-affluent and tech-savvy consumer base across Asia with our nimble business model, data insights and proprietary digital tools, and our ability to transfer our know-how, distribution capabilities and technology across markets has been a significant driver of our rapid growth in each market.

Our strong foothold in Southeast Asia is a core source of our significant growth, and we expect this trend to continue into the future. We have grown our TWPI from US$1.1 billion in 2014 to US$6.9 billion in 2021, representing a CAGR of 29.7%. Our TWPI increased by 2.5% on a CER basis (decreased 3.9% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022.

Compelling Customer Propositions with Distinctive Brand

We aim to make insurance easy by tackling the pain points in the customer journey. We believe we offer new, simple and relevant product propositions in response to evolving and distinctive customer needs.

- **Easy to know**: We believe it is important for our customers to easily understand the insurance they buy and the scope of coverage. To achieve this, we have sought to make our product offerings transparent, personalised and simple. We have re-written and simplified our policies across eight markets. We have also reduced policy exclusions substantially, allowing customers to celebrate living without worrying about uncovered exclusions.

- **Easy to buy**: We have simplified the purchase journey by introducing paperless sales, enabling purchases via user-friendly mobile applications and streamlined underwriting questions for certain products. We have also extended our reach to potential customers with the goal to meet them wherever and whenever they choose, online or offline. To this end, we equip our partners with a range of analytical tools for customer insights.

- **Easy to claim**: We aim to provide our customers peace of mind in their claims experience. Our AI Claims 2.0 app can generate instant decisions for low risk claims and reduce the average assessment time to as little as two minutes from two days historically. We aim to provide a smooth and swift digital claims process to ensure our customers are covered and paid in their time of need.

- **Easy to engage**: We provide seamless, intuitive customer experiences with increasing automation. For example, customers seeking to engage with us can utilise our AI chatbots, which are capable of handling inquiries on a 24/7 basis. Our engagement with customers goes beyond insurance, with offerings extending to rewards, lifestyle experiences, post-claim recovery and other services.

- **Easy to love**: Our modern brand is recognised for being "Different", according to Blackbox Research's Brand Tracking Survey. We strive to introduce new products which provide relevant and affordable protection for individuals and families.

We have built our business with the aim to make protection easy, accessible and affordable to our customers. As a result, we have increased our protection ratio in terms of VNB from approximately 44% in 2019 to approximately 52% in 2021 and 48% in the three months ended 31 March 2022. We believe that our strong brand, leading customer advocacy and product propositions create significant differentiation and allow us to outperform our peers in attracting and retaining customers.

Elite, Tailored and Tech-Enabled Multi-Channel Distribution

Our distribution capabilities are anchored in our customer-led approach tailored to each market, including digital-savvy agents in Hong Kong, the top bancassurance franchise in Thailand, IFA teams in Japan and diversified channels in Emerging Markets. Our tech-enabled sales force seeks to meet customers' demands with optimal touch points and services. We have built a differentiated distribution model by enhancing traditional face-to-face distribution channels with technologies, extending reach to prospective, underserved customers through our neo-insurance platform, and empowering all channels with relevant propositions, products and skill sets.

We have developed ongoing distribution partnerships with 22 banks as of the Latest Practicable Date. This includes exclusive partnerships with nine banks in Southeast Asia, such as SCB in Thailand, VCB in Vietnam and Bank BRI in Indonesia. Through both exclusive and non-exclusive partnerships, we have access to up to 200 million potential customers via a network of over 4,000 bank branches. We have an agency franchise of more than 38,000 agents as of 31 March 2022, 5.8% of which are 2022 MDRT-registered members. We have one of the fastest-growing MDRT-registered agency forces among the top ten multi-national insurers globally as measured by the number of MDRT-registered members in 2022, according to the MDRT Association. Our MDRT-registered members grew at a CAGR of 38.3% between 2019 and 2022, which is approximately six times higher than the average CAGR of the other top-ten multi-national insurers globally as measured by the number of MDRT-registered members in the relevant period. To consolidate our access to customers with an end-to-end digital journey and natural touch points, we have built a neo-insurance platform which provides us access to over 130 million potential customers of our ecosystem partners, according to NMG. Our D2C eCommerce platform provides one of the most comprehensive set of online life insurance products across our markets, according to NMG. With our strong API-enablement capability, we are also able to integrate our services with digital platforms of our leading bank partners as well as ecosystem partners. We partner with over 40 leading ecosystem players spanning the digital lifestyle, retail and consumer finance sectors.

Our digital core has empowered our agents, banks, brokers, IFAs and ecosystem partners with wider customer access, personalised and effective servicing, and productivity enhancements. We blend the human touch with digitally enhanced direct engagement to drive customer acquisition. Among our agency force, we achieved digital tool adoption and eSubmission ratios of 97% and 96% in the six months ended 30 June 2022. For additional information on our overall distribution channels and our digital tools, see "– *Distribution*" and "– *Technology*."

Purpose-Built Digital Infrastructure and Data Analytics at the Core

We have built our entire digital architecture with the purpose of maximising the use of data analytics and technology to inform business decisions, optimise customer experience, empower distribution and enhance operational efficiency. Our digital apps and platforms leverage data from our Data Lake, customer relationship management and proprietary AI models.

Our proprietary Data Lake is a central and foundational part of our infrastructure. Its cloud-based platform provides end-to-end visibility and control of the collection, collation and usage of data across applications, allowing real-time analysis to improve customer understanding, enable data analytics and increase operational efficiencies. Our digital infrastructure enables us to roll out technological enhancements at a fast pace and in a cost-efficient manner.

Built on our Data Lake is a series of systems and automated digital toolkits to facilitate prospecting, purchasing, underwriting, claims and servicing for customers, distributors and internal management. By implementing these digital tools, we aim to deliver a seamless experience along the customer journey.

From 31 December 2019 to 31 March 2022, we have increased the annual budget and headcount of our data analytics team by CAGRs of approximately 54% and 63%, respectively, to support our various digital initiatives. As of 31 March 2022, approximately 43% of the headcount at our Group Office was comprised of technology employees, up from 29% as of 31 December 2019. Many of these employees have extensive prior work experience at global leading technology and fintech companies. Our engineering hub, "Innovation Kitchen," utilising technology from industry leaders such as Amazon and Google, both incubates emerging technologies and drives the increasing use of these data analytics to optimise customer experience and business processes.

Advantaged Access to Millennials

Our customer-led strategy is focused on developing lifetime partnerships with our customers who include millennials and those who are tech-savvy and young-at-heart. We believe that these customers, especially underserved millennials with significant lifetime value, are drawn to our relevant propositions and elite, tech-savvy distribution force. This includes customer touch points which provide a simple, online purchase and servicing journey to set up for future cross-selling and up-selling. These propositions also include our sales force of digitally-enabled agents, bancassurance partners and ecosystem partners to establish everyday outreach. We have gained meaningful traction within the millennial segment, which constituted 62% of our organic new individual policyholders in each of 2021 and the three months ended 31 March 2022, up from 55% in 2019.

We believe we are well-positioned to capture the significant lifetime value of these millennials as they migrate across life stages. According to NMG, the lifetime value of a typical new 25-year-old policyholder, as measured by VNB, is approximately ten times of the value of his or her initial purchase. Such policyholders are expected to, on average, purchase approximately 1.8 life insurance products, as compared to an average of approximately 4.3 life insurance products for non-millennial policyholders, suggesting ample cross-selling and up-selling potential as they advance along their life stages. We believe this demonstrates the substantial opportunity to develop closer relationships and up-sell to our younger customer base over time.

Agile Execution by Highly Experienced Management Team

Our Controlling Shareholders and experienced management team promote agile decision-making and execution. Mr. Li, through PCG, has provided critical support in our journey across market expansions and partnership formation in recent years. In particular, Mr. Li serves as an executive director on our board and has been instrumental in the delivery of our vision and setting growth strategies for our business. Our management, led by our CEO, Mr. Huynh, has on average over 25 years of experience in the financial and technology industries. Driven by their leadership, we have built an employee base that is aligned to our corporate culture and works cohesively to deliver on our vision. We have designed our remuneration policy for senior employees to align incentives and foster the long-term sustainable growth of the business within our overall risk management framework, as discussed in further detail in "*– Employees – Executive Remuneration Policy*".

Technology and digital analytics are at the core of our business. As a relatively young insurance group, we are able to design the digital infrastructure from inception with a focus on delivering an excellent customer experience. Our strong execution track record is evidenced by our ability to quickly identify market opportunities, balance organic growth and value-accretive acquisitions, and activate new partnerships and integration in a speedy manner. For instance, we efficiently replicated our success in relation to the TMB partnership with SCB, the largest bank in Thailand based on market capitalisation . Through the launch of new products and integration of our products and services into SCB's digital tools, we have successfully activated this partnership and created the leading bancassurance franchise by GWP in Thailand within just six months of launch. As a result, we have been able to deliver strong post-acquisition organic growth, with VNB generated through SCB and other distribution networks of SCB Life growing from US$127 million in 2020 to US$170 million in 2021. In the Philippines, we have increased sales productivity of our exclusive bancassurance partner, Security Bank, by 1.3 times between 2017 and 2021. Our business performance since 2020 is also a strong testimony of our execution capabilities in a period marred by the COVID-19 disruption. Our 2020 Underlying VNB year-over-year growth was 13.5%, compared to an average contraction of approximately 28% for the top-three Pan-Asian life insurers, according to NMG, with our growth outpacing the industry in all the markets we operate in. Our Underlying VNB increased by 24.5% from 2020 to 2021, while our VNB increased by 11.0% in the three months ended 31 March 2022 compared to the three months ended 31 March 2021, despite the challenging operating environment brought on by the continued COVID-19 disruption and new variants.

OUR GROWTH STRATEGIES

As we continue to deliver on our vision of *changing the way people feel about insurance*, we believe that our business model and technology will remain crucial to maintaining our competitive advantage. To maintain our strong growth momentum, we plan to implement the following strategies:

Generate Lifetime Value by Reinforcing Leadership in Customer Acquisition and Engagement

We are focused on sustaining strong growth in new customer acquisition and deepening existing customer relationships. Our strong brand and leading customer advocacy are instrumental to attracting and retaining customers. We intend to continue to form new distribution partnerships to broaden our customer reach and use technology to more efficiently target customers with insurance needs. We strive to increase our wallet share among these customers by building lifetime partnerships and ongoing engagement, including gathering insightful user data-points via AI Customer 360 which, in turn, will improve our cross-selling and up-selling capabilities. We believe that by maintaining our seamless customer journeys and building a sustained relationship as our customers migrate across life stages, we will be able to attract and retain more customers, increase policy premiums and incentivise repeat purchases in the future.

Increase Scale and Productivity by Digitalising, Expanding and Activating New Partnerships

We will remain focused on driving our growth and productivity across all distribution channels. We believe that our digital tools will enable us to enhance our current distribution capabilities. Increasing digital adoption and process automation enable us to expand our fast-growing MDRT agency force and enhance both our productivity and the productivity of our distribution partners.

In particular, we expect to accelerate our growth through our seven exclusive bancassurance arrangements formed since 2019. We have an established track record of activating new partnerships which can be replicated across markets, presenting significant upside for further growth. For example, we plan to introduce a fully integrated data platform across our distribution partners to harmonise leads, sales and cost-efficient servicing. These seven partnerships have provided access to over 70 million of the banks' digitally connected customers. We believe we are well-positioned to tap into these customer bases to strengthen our position in each market.

In addition, we will continue to explore new partnership and referral opportunities to expand customer outreach to underserved segments, including partnering with more leading ecosystem players in adjacent sectors across markets and continuing our roll-out of O2O and cross-channel referral programmes.

Enhance Protection Mix and Achieve VNB Margin Uplift through Relevant Propositions

We are committed to upholding our customer-led propositions to deliver relevant, affordable and easy-to-understand products. Our agile business model assists us in adapting to the changing market needs and evolving customer demands in the life insurance sector. We strive to continue introducing new products and value propositions for our customers. We are focused on products that are designed to address the increasing awareness of our customers for their protection needs, particularly in the context of rising post-COVID-19 demand for life and health coverage. We expect our historical trend of increasing protection mix to persist in the near term. We believe that this, coupled with our prudent pricing strategy, will enhance our VNB margin and overall profitability.

Optimise Customer Experience and Boost Operating Leverage through Continued Investment in Digitalisation

We believe our path on data analytics and tech-enablement is imperative to optimising customer experience and enhancing operating leverage. To this end, we will continue to invest and launch pilot programmes in a number of jurisdictions. For the technology programmes and digital tools that have proved successful in a number of jurisdictions, we intend to roll them out on a group-wide basis as appropriate. Powered by our integrated, cloud-based Data Lake in real time, we expect to expand our digital tools such as auto-underwriting and FWD Smart to all ten markets in which we operate. FWD Smart is our sales support tool, which we launched in Thailand in 2013 and we now use widely across our Emerging Markets operations. It provides quick quotes, real time sales illustrations and a range of digital options to our customers. Additionally, we are embarking on our NextGen Banca strategy, under which we utilise data and customer analysis to better serve our customers and introduce a fully digital, end-to-end sales process to replace the previous paper-based process in the bancassurance channel. We plan to roll out our proprietary automated claims application in new markets to improve straight-through-processing ("**STP**") capabilities and reduce turnaround times. We will continue to incubate emerging technologies in our engineering hub, "Innovation Kitchen." Together with our advanced data analytics, we believe these initiatives will enable us to synchronise our holistic customer view and optimise both the customer and distributor experience. We intend to embed data analytics and AI in all we do. We believe our digitalisation strategy and our continued investments in data analytics and AI, combined with our enhanced scale, will allow us to continue to improve our operational efficiency and reduce our expense ratio.

Create Additional Value by Pursuing Selective Value-Enhancing Expansion Opportunities

We continue to evaluate potential acquisition opportunities to scale up and expand customer reach in existing markets where we already have presence, while we focus on maintaining a leading presence across Asia and organic growth of our regional platform. We have a structured framework to evaluate selective opportunities to ensure such transactions are consistent with our strategy and are value-enhancing. Our experienced team has a strong track record in executing and creating value from these opportunities. We will also continue to explore expansion opportunities, including in mainland China, which, according to NMG, is the largest life insurance market by total premium in the region. We believe that, as a starting point, the proposed Hong Kong regulatory changes to implement Insurance Connect will allow us to capitalise on the significant potential in the Greater Bay Area, and we believe we are well-positioned to tap into the accessible customer base upon its implementation, which is a valuable opportunity for our Hong Kong business. We have a representative office in Shanghai and will consider means to expand our presence in mainland China, including but not limited to obtaining a full life insurance license and making selective investments or acquisitions as opportunities arise.

CUSTOMERS

Transforming the Customer Journey

We are a customer-led insurer. Driven by customer needs, we believe that we have created trusted and long-lasting relationships with our customers, creating future advocates of the brand, providing them with peace of mind and protection for the future, and enabling them to celebrate living today. Since our inception in 2013, we have focused on changing the way people feel about insurance and addressing the key pain points for customers who seek insurance protection, including:

- *complex, one-size-fits-all and jargon-laced products*: traditional insurance policies are often drafted with complex words and phrases that are not easy to understand, together with long and convoluted exclusions to limit pay-outs;

- *aggressive product marketing through offline channels*: many insurance providers are overly dependent on offline distribution channels, with sellers focusing on "pushing" products that reward them with higher commissions rather than products that customers need;

- *difficult and time-consuming purchase process*: the traditional underwriting process is time-consuming as it often involves multiple human interactions, paperwork and other cumbersome requirements such as physical examinations; and

- *slow and painful claims settlement*: many insurance providers offer claims processes that are largely paper-based, complicated and tedious, which negatively affects the customer experience.

To address these customer pain points and make the insurance journey simpler, faster and smoother, we have designed our products, purchasing experience, claims process, customer engagement and branding with five key guiding principles in mind:

Easy to Know

Our belief is that customers should be able to easily understand the insurance they buy. As such, we strive to simplify our policies and contracts to provide easy-to-understand products. This includes drafting our insurance contracts without complex jargon (so that our customers can easily know the terms of their insurance contracts), and by reducing the number of exclusions in our insurance policies (so that our customers can clearly know what protection they are receiving).

This led us to launch Project Clarity in 2015, which was an initiative to study contracts from traditional insurance companies and global market leaders to understand the key areas of complexity which may hinder our customers from understanding their policy contracts. Based on our findings, we subsequently rewrote our insurance contracts in simple language and avoided complex jargon to make them easier for our customers to understand. By March 2022, we had introduced more than 200 simplified contract templates under Project Clarity. The revamped insurance contracts took into account user experience and design principles such as highlighting important information for the customers' awareness, clearly defining important phrases, and utilising diagrams and flow charts to illustrate key concepts such as policy benefits. By doing so, we have not only improved the customer experience and our products' attractiveness but also allowed our call centre and online help teams to respond to customer inquiries with increased speed and accuracy.

In 2016, we launched Project Exclusion, an initiative to reduce long and convoluted exclusions in our insurance policies to offer our customers more protections, increase the transparency of our products and make it easier and faster for customers to settle claims and obtain payments. We focused on removing exclusions that were based on outdated medical data and unsupported judgments. Through the initiative, we are able to better gauge our risk exposure to certain activities, which has helped us improve our underwriting process. For example, since the launch of Project Exclusion, we have removed approximately 80% of exclusions from our policies in Vietnam. We believe that, as a result of simplifying the drafting of our policies and reducing the number of exclusions for certain products, our customers can more easily know the coverage which they have purchased and feel more confident about their ability to make insurance claims.

Easy to Buy

We aim to make it easy for potential customers to buy insurance from us and our distributors. We have simplified the purchase journey by introducing paperless sales, enabling purchases via user-friendly mobile applications and streamlined underwriting questions for certain products. We have also extended our reach to potential customers with the goal to meet them wherever and whenever they choose.

We have introduced a number of initiatives, including equipping agents with digital tools such as FWD Smart, ePOS and AI^2 to support cashless and paperless sales. By continuously investing in new technologies, we have reduced the paperwork involved in our sales process. Our insurance products are available through streamlined and digitalised purchase processes supported by user-friendly mobile applications that we developed in-house. We have also implemented tools to automate the Know-Your-Customers ("**KYC**") process and reduce the time required for KYC in order to enhance the ease of onboarding and purchase for our customers.

Since 2019, we have designed an automated underwriting engine based on rule-based logic, to generate between three to six customised health questions in accordance with an individual customer's risk profile, which makes it faster and simpler for potential customers to buy insurance. We have applied our automated underwriting engine in Singapore, Malaysia and the Philippines since 2019 and Indonesia since 2021, and are in the process of rolling out the tool in other markets across Southeast Asia as well. In the markets where we have applied our automated underwriting engine, the proportion of policies that were automatically underwritten was 91%, 85%, 96% and 98%, and the proportion of applicants that were successfully onboarded was 98%, 94%, 97% and 99% in 2019, 2020, 2021 and the three months ended 31 March 2022 respectively. Traditionally, life and health insurance applications involve certain standard questions, regardless of coverage or the customer's particular circumstances. Through our automated underwriting engine, we have classified our potential customers into three risk levels based on the information provided in their applications. Based on our assessment of the potential customers' risk level, we have reduced the number of health-related questions we ask our potential customers from an average of ten questions to as few as three. With our automated underwriting capabilities, we have been able to immediately accept between 72% and 95% of applications submitted via the engine in 2021 on a monthly basis. We will continue to invest in our technological capabilities, including expanding our neo-insurance distribution through our D2C eCommerce platform, to create a smoother and more efficient purchase experience for our current and future customers. 66% and 78% of our submissions across the Group are submitted digitally, in 2021 and the three months ended 31 March 2022, respectively, while 44% and 59% of our customer onboarding is completed in two days in 2021 and the six months ended 30 June 2022, respectively. 89% of our customers rate us "great" or "good" after successfully completing the onboarding process for each of 2021 and the three months ended 31 March 2022, compared to 88% in 2020 when we began collecting customer feedback, which highlights our sustained customer satisfaction.

Easy to Claim

Claims are our "moment of truth." We have undertaken a series of initiatives to make it easier and faster for our customers to have their claims approved for payment. Our AI Claims 2.0 app can review claims with the help of AI technologies and is the first of its kind in Hong Kong to instantly generate a decision to pay customers for low-risk claims. For higher-risk claims that require manual assessment, AI Claims 2.0 can automatically generate a claim report for an assessor to expedite the assessment process. Testing has shown that AI Claims 2.0 can improve the assessment time from the traditional model of one to two days to real-time decision making.

Additionally, we have implemented our proprietary AI Fraud Detection solution in Hong Kong to identify fraudulent claims and speed up the claims process, where over half of the claims in 2021 were processed by AI. The AI tool analyses existing operational data to identify common patterns for fraudulent cases and incorporates our expertise in identifying applicable risk factors. We have also expedited processing time for claims upon approval. For example, we have partnered with 7-Eleven in Hong Kong to allow our customers to use a QR code to collect payments for their insurance claims at 7-Eleven stores through a quick and efficient process. Over half our claims are processed and completed within three days of submission and our claims Net Promoter Score was +48 in 2021 and +55 in the six months ended 30 June 2022, up from +42 in 2020.

Easy to Engage

We are committed to changing the way people feel about insurance by creating ways for our customers to stay engaged with our insurance ecosystem throughout the insurance journey. To maximise customer touch points and extend our reach, we have also developed a series of systems and tools to optimise customer engagement and help our customers learn and purchase our products, submit claims and stay engaged in an easy and seamless manner. For example, our Enzo chatbot addresses questions and provides product information on a 24-hour basis, with approximately 97% accuracy in identifying user intent. 89% of our customer voice calls are resolved at the first point of contact in the six months ended 30 June 2022, and 85% of our customers rate us "great" or "good" after engaging with us in a non-purchase or claims journey in the three months ended 31 March 2022. In addition, our customers can engage with us via our FWD eCommerce Platform, which provides quick quote, O2O lead generation, plug and play functions and fully automated underwriting capability. We have also launched other customer engagement applications and platforms, such as FWD MAX, to offer customers various value-added services, promotions and content driven by their preferences. By enhancing the use of the data we collect, we aim to achieve higher customer retention rates and new sales through these platforms, while remaining in compliance with the applicable laws and regulations.

Easy to Love

As a result of our customer-driven strategy to refine our products, the purchase experience, claim settlement and customer engagement, our brand is well-recognised by our customers. We are committed to creating solutions to help customers to reduce the protection gap and celebrate living. We have launched multiple new products in various markets, including a Big 3 Critical Illness Insurance product (covering cancer, heart attack and stroke) and an eCancer product with full coverage for any cancer stage in Singapore, FWD New Medical in Japan, FWD SpecialMed in Malaysia and Mind Plus Critical Illness Protection Plan in Hong Kong. Additionally, we have actively sought ways to make our products affordable and accessible to a wider range of customers. Across our different markets, we have designed our insurance products so that our customers can pick and choose the protection that suits their particular needs.

In Vietnam, we introduced FWD Lady First in 2022, an online insurance planned designed to assist women in taking care of their physical health, mental health, confidence, and preparing for their motherhood journey. In 2018, we launched the Mind Plus Critical Illness Protection Plan, an award-winning product focusing on mental health, and a post-claim recovery support programme in Hong Kong that provides consultation, professional counselling and other value-added services, which we believe will enhance customer loyalty.

We believe that effective customer engagement will be critical to our ability to retain our customers, identify opportunities to cross-sell and up-sell our insurance products, and create advocates of our brand.

Customer Segments

We define our customers as anyone who owns or receives value from our products and services, and we categorise them as either individual customers or group scheme customers. Our individual customers include policyholders (who are paying policy owners), the insured under life insurance policies, beneficiaries of the policies and active FWD MAX members, whom we define as persons who have maintained an active membership on our FWD MAX platform during the preceding 90 days for the use of our products, services or discounts. Our group scheme customers include corporate policyholders (who are paying policy owners) and participating members. As of 31 March 2022, we had 5.3 million individual policyholders and approximately 4,000 corporate policyholders with 2.3 million participating members. In 2019, 2020, 2021 and the three months ended 31 March 2022, APE generated from our five largest customers accounted for 2.0%, 3.2%, 2.3% and 14.0% of our total APE, respectively, and APE generated from our largest customer accounted for 0.7%, 1.3%, 0.7% and 5.3% of our total APE in the same periods, respectively. Our largest customer for the three months ended 31 March 2022 is PCCW, one of our connected persons. See "Connected Transactions" for details of our relationship with the PCCW Group and the transactions between the Group and the PCCW Group during the Track Record Period.

Individual Customers

We believe that our focus on transforming our individual customers' insurance journey with relevant propositions tailored to their needs has contributed to the significant growth in our customer numbers. We had 4.1 million, 4.7 million, 5.2 million and 5.3 million individual policyholders as of 31 December 2019, 2020, 2021 and 31 March 2022, respectively, representing a CAGR of 12.2% during this period. This includes organic new individual policyholders of 0.6 million, 0.9 million, 1.0 million for the years ended 31 December 2019, 2020 and 2021, representing a CAGR of 25.6% during this period. Our organic new individual policyholders increased by 20.7% from 0.2 million in the three months ended 31 March 2021 to 0.3 million in the three months ended 31 March 2022. In addition, we acquired 1.3 million new individual policyholders in 2019 as a result of our acquisitions of SCB Life and HSBC Amanah Takaful, and 0.2 million in 2020 as a result of our acquisitions of VCLI, PT Commonwealth Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited.

Millennial customers have driven our overall customer growth. The following table sets forth our millennial base as a percentage of new individual policyholders by channel:

Millennials as a % of New Individual Policyholders	As of 31 December			As of 31 March
	2019	2020	2021	2022
Bancassurance	55.8%	60.7%	63.6%	57.1%
Agency	59.1%	59.4%	63.3%	60.1%
Others[(1)]	53.8%	56.0%	61.3%	67.6%
Total	**55.4%**	**57.3%**	**62.4%**	**62.5%**

Note:

(1) Includes brokerage/IFA, neo-insurance and other distribution channels.

From 31 December 2019 to 31 March 2022, the number of our millennial individual policyholders with multiple policies grew at a CAGR of 7.0%. We intend to capture greater value within the millennial customer segment in the future by continuing to pursue relevant, distinctive and personalised value propositions for on-going cross-selling and up-selling opportunities. We believe there remains significant potential for cross-selling and up-selling to our existing millennial customers as they advance through different life stages and gain spending power.

In terms of the insured and beneficiaries under life insurance policies relating to individual policyholders, we had 1.4 million, 2.3 million, 2.4 million and 2.4 million total insured and beneficiary customers as of 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, representing a CAGR of 25.6% during this period.

Group Scheme Customers

Our group scheme customer segment consists of corporations and other business organisations to whom we offer group life and health solutions. We had approximately 4,000, 7,000, 5,000 and 4,000 corporate policyholders as of 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. The corresponding number of participating members as of each of the respective periods was 2.0 million, 2.4 million, 2.2 million and 2.3 million, respectively. Our group life insurance products mainly cover total and permanent disablement, death, accidental death and dismemberment and employee benefits, and our group health insurance products primarily cover medical insurance and long-term disability income benefits.

Customer Recognition and Brand Marketing

We measure customer relationships and stickiness through internal metrics, including customer retention, re-purchase rates and multiple customer feedback scores, as well as external sources, such as the Customer Experience Excellence Study by KPMG. As a result of our commitment to understanding and addressing our customers' various insurance needs and pain points, we ranked in the top three among insurance brands for customer experience in four of our markets. FWD achieved a number one ranking for Vietnam and Thailand in the KPMG Global Customer Experience Excellence Report in 2021, a leading independent industry report. In addition, FWD also achieved a number one ranking for Singapore and a number two ranking in Indonesia in 2021 according to a KPMG Customer Experience Survey, commissioned by FWD but conducted independently by KPMG.

The KPMG Global Customer Experience Excellence Report is a programme that KPMG has run for 12 years across 26 markets, in which the report and the details of it are publicly available. The report provides studies of customer experience in the overall industry and the broader sectors. The study was not commissioned by FWD, but FWD has licensed from KPMG to receive the report and insights as well as citation rights. The study measures brands across different industries in different markets across six components of customer experience excellence – integrity, resolution, expectations, empathy, personalisation and time and effort. In terms of markets, the study covers, amongst others, Hong Kong, Indonesia, Japan, Malaysia, Philippines Singapore, Thailand and Vietnam. In Vietnam, for example, KPMG reached a sample pool of 1,500 consumers and evaluated more than 70 local and international brands across eight different sectors. In Singapore, for example, insurance brands which were included in the study included a range of leading domestic and multi-national insurance brands in the market.

The KPMG Customer Experience Survey is a follow-on study from the KPMG Global Customer Experience Excellence Report which provides more targeted studies of customer experience in specific industries or sectors. The follow-on study was commissioned by FWD but conducted independently by KPMG. The study can result in different brand rankings in certain geographies (when compared to the KPMG Global Customer Experience Excellence Report) due to the study being extended for specific organisations and/or sectors to increase respondent numbers, in order to meet the minimum thresholds required to become eligible for ranking.

On the basis that the KPMG Global Customer Experience Excellence Report and the KPMG Customer Experience Survey adopt the same approach to measuring brands across six components of customer experience excellence. The Group believes that both reports are reliable in reflecting a comprehensive research for ranking analysis.

We also ranked as a top three most "Different" insurer in seven out of eight surveyed markets, based on 2021 full year data from Blackbox Research's Brand Tracking Survey. To measure "Different", respondents are asked to select brands that they perceive to be "A Life Insurance provider that is different to most others".

We adopt a data-driven approach to track marketing effectiveness and results through a combination of external insights and internally available data. In gathering internal data, we focus on robust and representative samples across each market and cover a broad range of areas including demographic profiles, product ownership and brand awareness.

As of July 2022, our partners in the bancassurance and neo-insurance distribution channels provide us with access to up to 200 million and over 130 million potential customers, respectively, according to NMG. We have been able to, and will continue to, penetrate this customer base for customer acquisition, engagement and retention. We believe this is key to our cross-selling and up-selling, as we are increasingly utilising the lifetime value of our existing customers. In 2019, 2020, 2021 and the three months ended 31 March 2022, 26.2%, 28.6%, 30.9% and 37.8% of our new policies were sold to existing individual policyholders, respectively.

Customer Feedback

We collect customer feedback through a variety of means, including surveys, focus groups, brand tracking and campaign effectiveness activities. We have instituted a real-time feedback mechanism, which captures feedback from our customers during the purchase, servicing and claims processes across major markets, channels and product lines. We have empowered our local teams to follow up on customer interactions and pursue feedback opportunities. By reviewing customer experience and customer interactions, we can swiftly improve our product and service quality, as well as address customer feedback in a timely manner.

Customer Complaints Policy

We have adopted a proactive and digitally empowered approach to resolving customer complaints. In addition to the traditional channels of phone, letter and email, we solicit real-time feedback from customers after purchases, service interactions and claims. At the completion of these customer journeys, we invite customers via SMS to participate in a quick online survey to provide feedback on the experience. This practice is adopted across all our markets (with the exception of Macau and Cambodia) and is continuously being improved. We input the customer feedback data verbatim into a digital dashboard for each market, which shows daily customer responses and the call-back handling status for dissatisfied customers. This allows our customer service managers to monitor overall customer sentiment and ensure that issues are addressed and resolved quickly and fairly.

DISTRIBUTION

Our Distribution Strategy

Asia is home to hundreds of millions of individuals who need life and health insurance protection but do not have the requisite knowledge of such products or lack potential access to traditional insurance distribution channels, according to NMG. To address this issue, we have adopted a distribution model based on the pillars "Enhance, Extend and Empower":

- "Enhance" – We have enhanced traditional face-to-face channels with a host of new technologies that help our bank partners, agents and brokers/IFAs to engage and serve their customers in flexible, dynamic and digital ways. By blending our digital tools with a human touch, we combine offline and online channels to allow customers to engage with us however, wherever and whenever they choose.

- "Extend" – We have extended our reach to individuals underserved by traditional channels. We provide multi-device mobile access so that customers can determine their protection needs, understand our propositions, purchase our products and services and submit claims. Our distribution leverages our neo-insurance channels for online D2C sales and we have extended our agency channel with our social media engagement platform, FWD Affiliates.

- "Empower" – We have empowered our customers to celebrate living by providing them with information to help them to choose the right protection whenever, wherever and however through all our channels with simple propositions, advanced data analytics and high-quality sales leads. We use AI algorithms to supply our distribution channels with the customer insights they need to offer tailored solutions. We have streamlined underwriting, simplified the language used in the policies and reduced the number of exclusions, thereby allowing our channels to better help all customers to understand insurance and buy the protection they need.

Distribution Channels

We aim to widen our touch points with customers by offering them a choice of how to engage with us based on their protection needs and interaction preferences. Digitalisation of our distribution channels is a key element of this strategy.

We distribute our products through multiple distribution channels, including bancassurance, agency, brokerage/IFA, as well as other channels, which include D2C distribution via neo-insurance channels.

The following table sets forth the contributions of our distribution channels to our total APE and VNB, and their respective VNB margin during the periods indicated:

	Year ended 31 December			Three months ended 31 March		2019-2021
	2019	2020	2021	2021	2022	CAGR[(1)]
	(US$ millions, except for percentages)					
Bancassurance						
APE	345	687	589	193	190	31.0%
VNB	91	209	266	80	89	70.6%
VNB margin (%)	26.4%	30.4%	45.1%	41.4%	46.9%	NA
Agency						
APE	283	266	305	70	59	3.9%
VNB	144	141	171	34	31	8.9%
VNB margin (%)	51.1%	53.0%	56.1%	49.2%	52.4%	NA
Brokerage/IFA						
APE	401	403	434	107	96	4.4%
VNB	232	150	186	43	52	(10.4)%
VNB margin (%)	58.0%	37.1%	42.8%	40.8%	53.5%	NA
Others[(2)]						
APE	97	336	118	35	59	10.5%
VNB	30	118	64	14	19	46.9%
VNB margin (%)	30.6%	35.1%	53.9%	41.1%	32.0%	NA
TOTAL						
APE	1,125	1,692	1,446	404	405	13.5%
VNB	498	617	686	172	191	17.5%
VNB margin (%)	44.2%	36.5%	47.4%	42.6%	47.1%	NA

Notes:

(1) On a constant exchange rate basis.

(2) Includes neo-insurance and other distribution channels. In 2020, this also includes a one-time retrocession reinsurance arrangement in Japan between Swiss Re and FWD Reinsurance for a block of in-force hospital cash policies. The transaction was an arm's length commercial agreement, leading to a one-off APE of US$236 million and VNB of US$56 million. For details, see "*Financial Information.*"

We have adopted a multi-channel distribution model that is tailored to each of the markets in which we operate. The percentage contributions of our multiple distribution channels to the overall Group APE of our businesses in each country in 2021 and the three months ended 31 March 2022, excluding COLI business in Japan, is as follows:

	Hong Kong (and Macau)	Thailand (and Cambodia)	Japan	Emerging Markets	Group
Three months ended 31 March 2022 APE Breakdown					
Bancassurance	24.2%	79.4%	–	52.2%	**49.0%**
Agency	17.6%	10.9%	–	25.5%	**15.3%**
Brokerage/IFA	35.3%	0.1%	80.2%	9.7%	**20.4%**
Others(1)	22.9%	9.6%	19.8%	12.6%	**15.2%**
2021 APE Breakdown					
Bancassurance	17.8%	78.2%	–	47.8%	**43.1%**
Agency	32.5%	12.6%	–	30.7%	**22.3%**
Brokerage/IFA	43.2%	0.1%	84.0%	13.5%	**26.0%**
Others(1)	6.5%	9.1%	16.0%	8.0%	**8.6%**

Note:

(1) Includes neo-insurance and other distribution channels.

The breakdown of the overall Group VNB by distribution channel in 2021 was 40.4%, 26.0%, 23.9% and 9.7% and that in the three months ended 31 March 2022 was 48.5%, 16.9%, 24.3% and 10.3% for bancassurance, agency, brokerage/IFA and others, respectively, excluding COLI business in Japan.

Bancassurance Channel

We are a leading bancassurer, particularly in Southeast Asia, both in terms of the breadth and depth of our bancassurance partnerships, as well as our demonstrated track record of delivering value through our bancassurance channel. As of the Latest Practicable Date, we had 22 ongoing bancassurance partnerships, including nine exclusive bancassurance partnerships in Southeast Asia. Our strategy for our bancassurance channel has been to partner both exclusively and non-exclusively with leading local banks in each of our markets, promote digital transformation as a means of enhancing our bank partners' sales efforts and productivity, and improve portfolio margins by selling protection-focused products to optimise our VNB, which grew at a CAGR of 70.6% on a CER basis (70.7% on an AER basis) from US$91 million in 2019 to US$266 million in 2021, and by 19.7% on a CER basis (11.8% on an AER basis) from US$80 million in the three months ended 31 March 2021 to US$89 million in the three months ended 31 March 2022. As a result, our Bancassurance VNB margin grew from 45.2% in the six months ended 30 June 2021 to 52.8% in the six months ended 30 June 2022. We believe that we have access to our exclusive and non-exclusive bancassurance partners' customer base of up to 200 million as of July 2022, according to NMG. In 2021, we gained approximately 490,000 new individual policyholders through our bancassurance channel, compared to 246,000 in 2019. In the three months ended 31 March 2022, we acquired approximately 126,000 policyholders through our bancassurance channel. Set forth below is an overview of our key bancassurance partnerships:

- **Thailand – SCB**: During our partnership with TMB, we worked closely with the bank to digitalise its face-to-face sales process, which resulted in an increase in its bancassurance APE and VNB. We leveraged our successful experience with TMB in building our new partnership with SCB, which began in the last quarter of 2019. By quickly integrating our products and services into SCB's distribution tools and launching new products, we were able to unlock significant value in SCB's customer base and increase its bancassurance productivity in terms of APE relative to total bank deposits.

- **Vietnam – VCB**: In 2020, we launched our partnership with VCB, a leading commercial bank in Vietnam with 17 million customers and over 600 branches and transaction offices. We are transforming our bancassurance partnership with VCB with our NextGen Banca strategy, under which we are utilising data and customer analysis to better serve our customers and are introducing a fully-digital, end-to-end sales process to replace the previous paper-based process. As a result of our successful integration, all new applications were handled via FWD's eSubmission system in 2020. Additionally, digital sales comprised 45% of total policies issued, and on average 86% of ePolicies were issued within 2 hours of submission in 2021.

- **Indonesia – Bank BRI**: In Indonesia, through our minority investment in BRI Life, we collaborate with Bank BRI, the leading retail bank in the country in terms of customer base with over 143 million customers, of which over 45% were digitally-activated, serviced through its network of over 2,500 branches and sub-branches, according to NMG.

- **The Philippines – Security Bank**: We launched our partnership with Security Bank in January 2015. Security Bank had a network of over 300 branches, according to NMG. We integrated our products into Security Bank's bancassurance network and rolled out our products nationwide in just four months following launch. During the next few years of collaboration, through our product propositions and digital solutions, we achieved a CAGR of 19% in Security Bank's bancassurance APE from 2015 to 2021. As a result, the FWD partnership became the second largest source of Security Bank's fee-based income and contributed 18% of the total amount in 2021.

We use multiple criteria for selecting and evaluating our bancassurance partnerships, including a strategically sustainable market position, a relatively underpenetrated customer base for life insurance, alignment with our strategy to promote our digital ecosystem, a focus on fee-based income, and evidence of a collaborative culture. In addition to the above, some of our other bancassurance partners are also required to distribute our products exclusively.

For more information on our bancassurance partners in each of our markets, see "*– Our Operations in Our Geographic Markets*."

Exclusive bancassurance partnerships generally require bancassurance partners to distribute our products on either an exclusive or preferred basis to their customers across networks and jurisdictions specified under their contracts and subject to applicable laws and regulations. Exclusive bancassurance arrangements commonly include termination rights which may be triggered if specific, pre-defined conditions are met, for example upon material breaches by either party, in the event a party becomes a competitor, upon a change of control or in the event of force majeure. In addition, in limited cases exclusivity also applies to us over the partnership term.

Our bancassurance arrangements generally include commission-based payment terms. We generally pay an access fee upon initiation of the bancassurance partnerships and pay other commissions, marketing allowance and milestone incentive fees depending on the sales performance and the length of cooperation, in line with the relevant market standards. Our bancassurance partnerships, particularly exclusive bancassurance arrangements, typically last for a duration of ten to 15 years.

Agency Channel

Our agency force is a key channel for accessing our customers. Our total number of agents increased from approximately 24,900 as of 31 December 2019 to approximately 33,200 as of 31 December 2020, approximately 39,200 as of 31 December 2021 and approximately 38,500 as of 31 March 2022. The VNB generated by our agency channel grew at a CAGR of 8.9% on a CER basis (8.9% on an AER basis) from US$144 million in 2019 to US$171 million in 2021, and decreased by 8.1% on a CER basis (9.6% on an AER basis) from US$34 million in the three months ended 31 March 2021 to US$31 million in the three months ended 31 March 2022. Excluding the impact of offshore sales from MCVs in Hong Kong resulting from the COVID-19 outbreak and border closure measures, our VNB grew at a CAGR of 28.6% on a CER basis (28.7% on an AER basis) from US$102 million in 2019 to US$169 million in 2021. As of 31 March 2022, 5.8% of our agents were 2022 MDRT-registered and 61% of our agents were millennials. Our agency force includes both full-time and part-time tied agents, who sell our products exclusively. With our digitally-enabled agency force, we believe that we can effectively foster long-term relationships with millennial customers with significant lifetime value.

The following table shows the size of our agency force:

	As of 31 December			As of 31 March
	2019	**2020**	**2021**	**2022**
	No. of Agents (rounded to hundreds)			
Hong Kong (and Macau)	3,300	3,600	3,400	3,400
Thailand (and Cambodia)	6,100	6,600	6,200	6,100
Japan	N/A	N/A	N/A	N/A
Emerging Markets	15,500	23,000	29,600	29,000
Total	**24,900**	**33,200**	**39,200**	**38,500**

The size of our agency force has increased as result of our organic growth as well as the several strategic acquisitions we have completed across our various markets in 2019 and 2020. See "*Financial Information – Acquisitions, Investments and Discontinued Businesses*."

We have invested in our agents' training and equipped them with the latest technological tools. We believe this has enabled our agents to engage and acquire customers in an efficient manner, leading to an increase in new individual policyholders acquired through our agency channel from approximately 108,000 in 2019 to approximately 127,000 in 2021. In the three months ended 31 March 2022, we acquired approximately 26,000 policyholders through our agency channel.

As a result of our investments in our agency force and our focus on expanding and improving our distribution capabilities, an increasing portion of our agents attained MDRT status. Founded in 1927, MDRT is a global, independent association of more than 65,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 70 nations and territories. MDRT membership is recognised internationally as the standard of excellence in the life insurance and financial services business. Our MDRT-registered members grew at a CAGR of 38.3% from 2019 to 2022, which is approximately six times higher than the average CAGR of the other top ten multi-national insurers globally as measured by the number of MDRT-registered members in the relevant period. As of 1 July 2022, our agency force ranked sixth in the MDRT 2022 rankings for multinational companies based on the number of MDRT-registered members, up from tenth in 2021.

The following table shows the number of our MDRT-registered members from 2019 to 2022.

	As of 31 December			
	2019	**2020**	**2021**	**Latest[3]**
	No. of MDRT-registered members[1]			
Hong Kong (and Macau)	432	578	685	647
Thailand (and Cambodia)	36	55	143	253
Japan	N/A	N/A[2]	N/A[2]	N/A[2]
Emerging Markets	373	401	716	1,324
Total	**841**	**1,036**	**1,545**	**2,225**

Notes:

(1) MDRT-registered member statistics according to the MDRT Association as determined annually, based on specific qualification criteria in the prior year to determine MDRT eligibility.

(2) Includes two MDRT-registered IFAs in Japan in 2020 and one in each of 2021 and 2022.

(3) Based on 2022 MDRT-registered member statistics published by MDRT as of 1 July 2022.

Agency Strategy – "FWD Elite" agency programme

As part of our "FWD Elite" agency vision, we cultivate a professional and digitally-enabled team of agents of the highest quality who can take advantage of their social network connectivity and our digital tools to enrich their relationships with our customers. Attaining MDRT qualification by meeting the required high level of premiums, commissions or income during the year can be a long and difficult process for many agents during their careers. Therefore, we have created an additional segmentation of agents, known as FWD Elite agents, which can be attained by meeting at least 50% of MDRT requirements. We further provide special benefits and training for our FWD Elite agents to incentivise them and assist their further progression to MDRT qualification. We develop our top-performing FWD Elite leaders through the FWD Elite Signature programme at INSEAD, which is an intensive executive programme to develop our selected next-generation agency leaders. Our FWD Elite programme has significantly contributed to our business growth. The teams led by our FWD Elite leaders in the programme significantly outperformed the overall channel. Our continued investment in our FWD Elite programme has also contributed to the growth of our FWD Elite agents, who, along with our MDRT-qualified agents, represent the top performers and leaders of our agency force.

The following table shows the number of our FWD Elite agents (including MDRT-qualified agents) from 2019 to 2021:

	As of 31 December		
	2019	**2020**	**2021**
	No. of FWD Elite agents		
Hong Kong (and Macau)	819	697	827
Thailand (and Cambodia)	241	322	494
Japan	N/A	N/A	N/A
Emerging Markets	722	1,144	1,145
Total	**1,782**	**2,163**	**2,466**

In addition to career development, since 2019, we have also provided our agents with comprehensive online training, including FWD Elite eCoach, a digital learning differentiator that accelerates their knowledge and development. FWD Elite eCoach offers a broad range of content (some exclusive to us) designed for both new and experienced agents, including coaching on sales, leadership skills training, real-life case studies and featured speakers, including materials subtitled for our local markets. This platform ensures the quality and consistency of the training we provide to agents across all of our markets.

Agency Management and Compensation

Scaling up high quality recruitment has been a key part of our agency channel strategy. We continuously strive to recruit tech-savvy talent who share our vision and values. While scaling up the size of our in-force agents, we have also taken various initiatives to increase the number of our active agents, including by adjusting our compensation scheme to drive higher productivity, improving agency field management to increase daily sales activity, and enhancing agency training and campaigns.

We believe that we have inspired an increasing number of next-generation candidates to join us through our proactive engagement, rigorous recruiting practices and alignment of our agents' purpose to our vision. While we strive to maintain high retention, we take proactive management actions from time to time to restructure our agency force to uphold our core values and achieve our corporate vision.

We have endeavoured to build a productive agency force with a focus on quality. Our strategy is to empower our agents across four core areas:

- **Digital adoption**: Our digital tools allow agents to engage in remote selling, needs-based and goal-driven sales, enhanced customer management and seamless leads management.

- **Recruitment and onboarding**: Under a clearly defined recruitment proposition and an AI-enabled prospecting and recruitment toolkit, eRecruiting, we provide a value proposition for talent who are joining us as new agents.

- **Career activation**: Our tailored incentives reward talent and productivity with a fast-track trajectory programme aimed at transforming new agents to FWD Elite agents within one year.

- **Sales management and leadership**: We have a suite of capabilities that support high performance in challenging markets, as well as continuous learning opportunities for career advancement.

We do not consider our agents to be employees of the Group across our Business Units. We provide competitive remuneration packages that reward high performance, align our agents with our customer strategy and drive agent recruitment. Our agent compensation generally comprises commissions calculated based on policy sales, sales incentives upon meeting specific sales volume and product mix thresholds as well as training and other expense reimbursements. We regularly review our compensation arrangements through market intelligence and benchmarking against peer companies in the relevant market.

Agent Contracts

Our contracts with agents are required to be, and are, in compliance with local regulatory requirements. These contracts contain a range of obligations that agents must comply with, including for the purpose of detecting and deterring agent misconduct. The contracts typically provide that agents must indemnify the contracting Group entity in full for breaches or losses suffered as a result of the Group entity being held responsible for the agent's breach of the agreement or for any misconduct by the agent.

Brokerage/IFA Channels

The brokerage/IFA channels consist of insurance distributors that employ a number of brokers and IFAs and sell the products of multiple insurers on a non-exclusive basis. We believe that we are able to offer a well-balanced and diversified distribution platform by supplementing our main distribution channels with our brokerage and IFA channels in certain markets. As of 31 March 2022, we had over 3,200 brokerage and IFA partners across our various markets. We have undertaken a number of initiatives to support our brokerage and IFA partners, including establishing dedicated relationship management teams that meet regularly with the management of these partners and providing dedicated sales and underwriting support and customised products where needed.

We generally focus on our key distribution partners by identifying a set of core brokers and IFAs, and providing them a wide range of benefits including access to facilities such as 1881 Heritage, and FWD Premier Business Centre to hold client events and enhance client relationships. We are also aiming to roll out a self-service agency portal as well as paperless products to our brokers to improve the customer experience.

In Japan, following the regulatory changes in 2019 that have reduced demand for COLI products, our IFA partnerships have played an instrumental role as we shifted our business focus towards individual protection insurance products, such as medical, healthcare, cancer protection and income protection. We currently distribute our products through different types of IFAs, mainly including shop-type agencies (that serve young retail customers with outlets in shopping malls) and case agencies (which sell insurance products to SME and HNW customers in person or by mail).

We provide competitive compensation to our brokers and IFAs, subject to the applicable regulations. Currently, we pay our brokers and IFAs non-volume related incentives, such as marketing sponsorship for brand-building, training and compliance-related fees, as well as bonus payments related to service quality.

Other Channels

Our other channels comprise our neo-insurance and other distribution channels.

Neo-Insurance Channel

Our neo-insurance channel focuses on our eCommerce initiatives through which we distribute simpler, smaller-ticket products to our customer base. The channel focuses on protection plans, such as life, health and accident products, and provides customers with eCommerce transactional life insurance capabilities that enable them to research, understand, compare, purchase and claim with respect to a wide variety of products in a matter of minutes. The channel appeals to customers who prefer to self-manage their insurance needs at times that are most convenient to them by providing a simple, fast and seamless user experience that is available 24-hours a day on both desktop and mobile devices. In addition to serving as an important distribution channel, we believe that our neo-insurance channel also increases the traction of our other channels through sales referrals as well as O2O lead generation and sales conversion.

D2C and online engagement have been an emerging and fast-growing trend in the life insurance market. We have developed our D2C capability with the establishment of our API-enabled eCommerce platform to deliver digital sales.

This sits at the core of our neo-insurance offerings and allows us to integrate ourselves into our distribution partners' systems. As of 31 December 2021, we had a comprehensive online offering of 44 products on-shelf for our customers. As our eCommerce platform continues to expand, it has increased its VNB contribution and the number of policies sold across the group by approximately six and fifteen times, respectively, in 2021 as compared to 2019, and approximately two and eight times, respectively, in the three months ended 31 March 2022 compared to the three months ended 31 March 2021. Our eCommerce platform offers lower customer acquisition cost compared to face-to-face channels. For example, iFWD's recorded 88% lower customer acquisition cost in Hong Kong in 2020 compared to traditional channels due to the unit economics and scalability of our eCommerce platform.

We acquire our neo-insurance customers by leveraging our eCommerce platform in the following three key areas: (1) digital direct to customers, (2) through digital platforms of partner banks and ecosystem partnerships, and (3) O2O referrals from other channels.

We have empowered many of our bancassurance partners by providing integrated eCommerce enabled offerings. As of the Latest Practicable Date, we collaborated with six of our bank partners across our markets for direct sales on their digital platforms, covering approximately 20 million digitally accessible customers via these integrated bank partners. By integrating into our bancassurance partners' direct digital channels, we are able to offer our products to their customers through our entirely digital process. Furthermore, we are transforming our bancassurance partnerships with our NextGen Banca strategy through integrated front- and back-end systems and customer interface, simple propositions tailored to digital platform, digital marketing to better engage target customers and drive traffic, and implementation of analytics-driven customer segmentation.

Our ecosystem partnerships form the final piece of our neo-insurance channel and collectively provide us access to over 130 million potential customers, according to NMG. By partnering with businesses across the eCommerce, retail and fintech industries, we are able to further penetrate various customer demographics and offer them seamless, integrated and customised lifestyle services. As of 31 March 2022, our partners included Traveloka, HKT Care, Lazada and True Money. Our partnerships with such businesses typically involve agreements to collaborate on implementing digital integration, analysing customer data and streamlining the sales process to increase customer acquisition and facilitate value creation. We also serve customers through collaboration and distribution agreements with our affiliate, bolttech, which is an insurtech platform operator and operates across 30 countries. For further information on our transactions with bolttech, see "*Connected Transactions*."

The operating model for each ecosystem partner differs depending on the nature of the partnership, the alignment of products and propositions, and the market in which the partner is operating. In general, we seek to offer market-competitive compensation arrangements, such as advertising agreements, click-out payments and commissions.

Other Distribution Channels

Our other distribution channels include our affinity partnerships in Thailand where our products are distributed through these partners, our employee benefits business in certain markets as well as direct marketing and telemarketing channels in Thailand and Japan. In 2020, it also included a one-time retrocession reinsurance arrangement between Swiss Re and FWD Reinsurance for a block of in-force life and health business. For further information on the one-time retrocession reinsurance arrangement between Swiss Re and FWD Reinsurance, see "*Financial Information*."

OUR PRODUCTS

Life insurance products

Our key life insurance products include the following:

- *Participating life insurance*. Traditional participating life insurance products are contracts of insurance whereby the policyholders have a contractual right to receive additional benefits based on investment returns or other factors, normally at the discretion of the insurer, as a supplement to any guaranteed benefits.

- *Non-participating life insurance*. Non-participating life insurance products are contracts of insurance where the policyholder has a guaranteed right to the benefit, which is not at the contractual discretion of the insurer.

- *Critical illness, term life, medical and riders*. Critical illness, term life and medical policies are products that give policyholders a contractual right to receive benefits in the case of death, injury or illness. Riders are insurance policy provisions that add benefits to or amend the terms of a base insurance policy to provide additional options and coverage.

- *Unit-linked insurance*. Unit-linked insurance products are insurance products that link the customer's account value to the value of underlying investments, such as mutual funds. Insurance coverage, investment and administration services are provided, for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the policy, subject to surrender charges. In general, the investment risk associated with the account value of these products is borne by the policyholder.

- *Group insurance*. Group insurance products include both group life insurance and group medical benefits that are offered to a group of customers under a master policy contract. Group insurance is typically marketed to corporations, government entities and associations, and coverage is typically arranged by employers for employees. Employers typically pay premiums for basic policies, such as group term life and group medical coverage.

- *COLI*. Corporate-owned life insurance is a product primarily sold to small-and-medium-sized companies in Japan to provide key-person protection. COLI was often used as a tax management strategy before changes in taxation rules in 2019, which significantly reduced the tax benefits and the demand for COLI products. Since 2019, we have adapted to the contraction of the COLI market in Japan by shifting our focus to the individual protection insurance business.

A high proportion of our APE is generated from regular premiums, which amounted to 94%, 91%, 79% and 80% of our APE in the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively. The following table sets forth a breakdown of our APE and VNB by product category for the periods indicated below:

	Year ended 31 December						Three months ended 31 March	
	2019		2020		2021		2022	
	APE	VNB	APE	VNB	APE	VNB	APE	VNB
Participating life	31%	28%	16%	19%	29%	20%	21%	18%
Non-participating life	28%	11%	35%	21%	24%	19%	30%	28%
Critical illness, term life, medical and riders[1]	12%	23%	28%	41%	22%	39%	18%	33%
Unit-linked	8%	8%	7%	6%	15%	11%	16%	11%
Group	5%	3%	5%	7%	5%	7%	11%	7%
COLI	16%	27%	9%	6%	5%	4%	4%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Note:

(1) In 2020, this includes a one-time retrocession reinsurance arrangement in Japan between Swiss Re and FWD Reinsurance for a block of in-force life and health business.

Since 2019, we have increased the sales of protection-focused products such as critical illness, term life and medical insurance. The VNB contribution from these products increased from approximately 23% in 2019 to approximately 39% in 2021 and approximately 33% in the three months ended 31 March 2022. Excluding the one-time retrocession reinsurance arrangement in Japan in 2020, we have increased our protection ratio in terms of VNB from approximately 44% in 2019 to approximately 51% in 2020, and to approximately 52% in 2021 and approximately 48% in the three months ended 31 March 2022. This has helped our overall Protection VNB to grow by a CAGR of over 27% from 2019 to 2021, and by 4% from the three months ended 31 March 2021 to the three months ended 31 March 2022. On this same basis, the bancassurance channel has been a strong contributor to this trend, accounting for approximately 31% and 37% of overall Protection VNB in 2021 and the three months ended 31 March 2022, respectively, which is a significant ramp up from approximately 12% and 27% in 2019 and 2020, respectively.

Product strategy and development

We offer a diverse portfolio of life insurance, employee benefits (group insurance) and financial planning products.

We believe that we have introduced a variety of new products that present unique value propositions to our customers, examples of which are set forth below:

- in Hong Kong, we launched Life Impact Reliever in 2018, a critical illness insurance solution that covers life-impacting illnesses and injuries and that is designed to cover future unknown diseases and to move away from covering a list of defined illnesses; in the same year, we also launched the Mind Plus Critical Illness Protection Plan, which covers ten common mental illnesses and provides DNA testing, consultation, professional counselling, family support and other services for the patient and their families;

- in Japan, we introduced FWD New Medical in 2022, which offers benefits beyond hospitalisation and surgery, covering survival risks including cancer, cerebrovascular disease, heart disease, outpatient care, disabilities and female illnesses;

- in Vietnam, we introduced FWD Lady First, an online insurance plan designed for women that covers women's physical health, mental health, pregnancy complications and reconstructive surgery, which launched in 2022;

- in Singapore, we launched one of the first cancer insurance products to offer full payment for any stages of cancer with one simple health declaration without any requirement for medical examination; and

- in Malaysia, we introduced FWD SpecialMed in 2022, an online family takaful medical plan tailored for persons with disabilities.

Our product development process is customer-led and we rely on data analytics to gain insight into our customers and shape aspects of the design and launch of our products based on our customers' behaviours and needs.

PRICING AND UNDERWRITING

Pricing

We formulate our Group-wide product pricing methodology based on our Group Pricing Guideline, where Business Units are required to submit to Group Office a product approval report, which sets out details of product pricing and the relevant assumptions for each product. We determine the premium rates for our products using a number of factors, including product design, profit targets and competition. We base our calculations on a number of assumptions, including expected mortality and morbidity rates, persistency rates, lapse, interest rates, investment returns, commissions and allowances, operating expenses and inflation, as appropriate. These assumptions are derived primarily from our own experience, as well as broader industry experience and input from reinsurers, where appropriate. Each product is required to meet our pricing benchmarks on a standalone basis, thereby avoiding cross-subsidisation of products.

In determining product pricing, we aim to balance profitability, market competitiveness and customer fairness. To stay agile and competitive in the various markets we operate in, our product pricing teams work closely with our sales teams to understand and reflect market demand as well as solicit customer feedback.

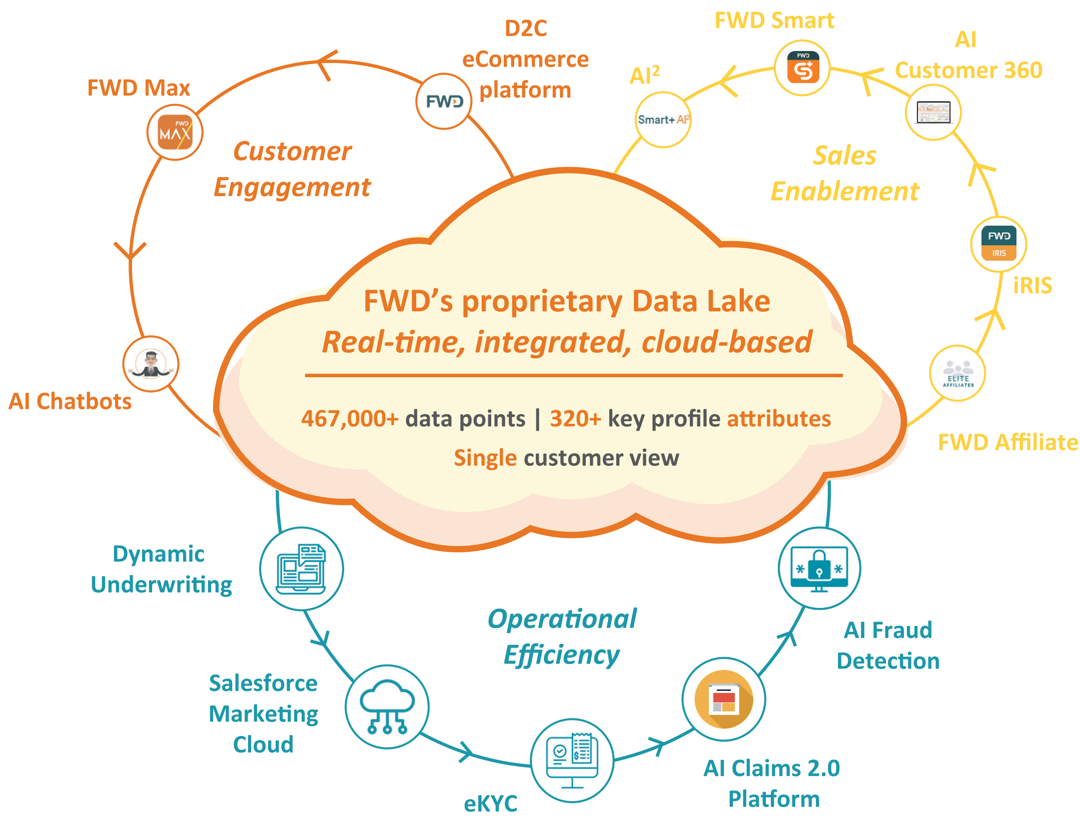
Underwriting

We structure our underwriting process with the overarching goal of limiting friction in our customers' purchase process by using digital tools and enabling paperless straight-through-sales wherever possible. By leveraging automation, we are able to significantly streamline our underwriting and claims settlement processes and reduce our operating expenses. In 2021, we achieved between 72% and 95% monthly straight-through-underwriting in the markets where we have implemented our automated underwriting technology, and reduced the waiting time for coverage initiation from weeks to within a day.

TECHNOLOGY

Technology and digital analytics are at the core of our business. Our operations are supported by robust technology capabilities and digital infrastructure, which is cloud-based and seamlessly integrated across business functions and with external partners. As of 30 June 2022, 81% of our applications are migrated to the cloud, compared to 70% as of 31 December 2021. In addition, we have decommissioned 75% of applications that we had targeted for retirement as of 30 June 2022, compared to 60% as of 31 December 2021.

Our operations are empowered by 63 proprietary data applications which leverage our Data Lake and proprietary AI models. Our operations are secured by strong data governance to ensure privacy protection and security with high data quality. See "– *Risk Factors – Our proprietary AI models may not operate properly or as we expect them to, which could cause us to write policies we should not write, price those policies inappropriately or overpay claims that are made by customers. Moreover, our proprietary AI models may lead to unintentional bias and discrimination*."



Our information technology budget includes dedicated investments to develop technology and promote our digital vision.

Data Analytics and AI

Data analytics and AI architecture serve as our central building blocks and empower our entire operations and functions, from customer engagement, distribution and partner enablement to operation automation and intelligent management of our customers' policies. With AI analytics implemented in eight out of our ten markets, we are committed to using data analytics to gain insights into our customers' experience and support various aspects of our business operations. As of 30 June 2022, we had over 115 active AI models applied across our business, with over 210 use cases, up from over 85 active AI models with over 155 use cases as of 31 December 2021. We aim to increase the number of AI models to at least 150 by the end of 2022. At the heart of our technologies is our proprietary cloud-based Data Lake, a centralised data repository that collects customer data from multiple sources, which is stored and managed in a centralised cloud-based system. Launched in 2019, our Data Lake covers all of our markets except for Cambodia as of March 2022. In March 2022, our Data Lake was capable of consolidating and analysing data from over 467,000 data points, including our corporate databases and various social media channels, and presenting over 320 key profile attributes for a single customer.

Our Data Lake processes and analyses data underpinned by our proprietary AI and machine learning algorithms, providing us with quick access to time-sensitive data to gain customer insights, design and deploy new products and services, and launch automated and targeted marketing campaigns, thereby allowing us to meet the evolving customer needs in a timely manner. For example, we were able to use our Data Lake to identify customers who were about to lapse on their policies with approximately 80% accuracy in 2021, enabling the operations to take timely actions to follow up with such customers. Leveraging our Data Lake's cross-sell behaviour analytics capabilities, we recorded in Hong Kong a cross-sell conversion rate of over 4% from travel to medical insurance in 2019, double the industry average (according to NMG) of 2%. In Thailand, we have applied our analytic algorithm applications to enhance agency performance. As a result, our general-insurance-to-life cross-sell telemarketing sales conversion rate in Thailand reached approximately 16% in 2021 which is nearly twice as high as 2019.

Additionally, our Data Lake is the central and foundational infrastructure that enables us to build other additional technological capabilities with ease and speed. Its real-time data insights are fed into our applications and services across all stages of the insurance value chain.

Customer Engagement

We put customers at the centre of everything we do and we are focused on providing them with a seamless and desirable journey wherever they want through a combination of digitalised and human services. To maximise customer touch points and extend our reach, in addition to our digitally empowered face-to-face channels, we have also developed a series of systems and tools to optimise customer engagement and help our customers learn and purchase our products, submit claims and stay engaged in an easy and seamless manner. In the year ended 31 December 2021 and the three months ended 31 March 2022, we launched 292 AI monetisation campaigns across six markets, and 57 campaigns across four markets, respectively, which include cross-sell, up-sell, persistency and freemium-to-premium campaigns.

Our customers can purchase our insurance products without human assistance through our FWD eCommerce Platform, which provides quick quote, O2O lead generation, plug and play functions and fully automated underwriting capability.

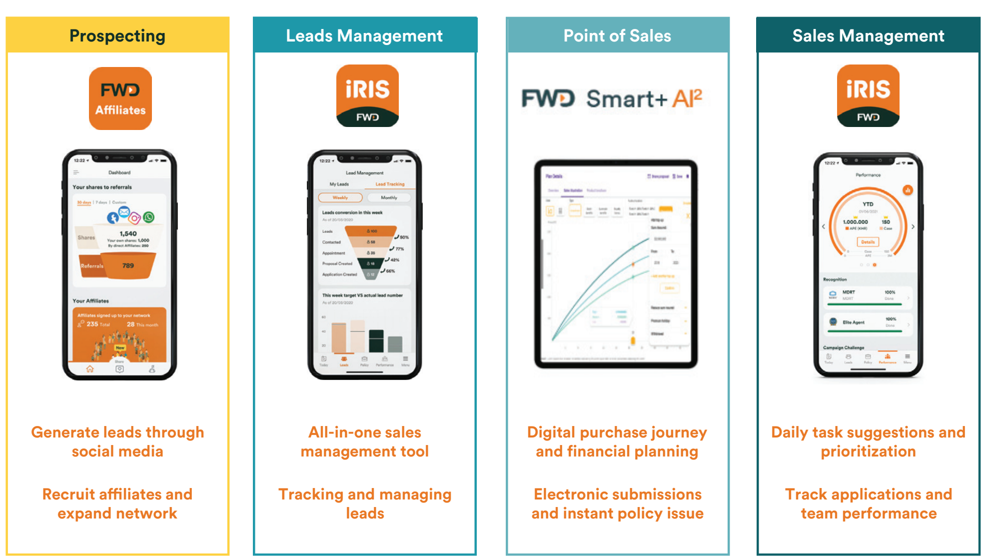
Our AI chatbots (Enzo and Faith) facilitate customer engagement by answering a variety of customers' inquiries and provide pricing information of our key products on a 24/7 basis. From May 2020 to March 2022, Faith handled over 470,000 messages from more than 143,000 customers. In total, our AI chatbots have delivered US$895,000 of savings in annual manpower and cost reduction since their inception. Our AI chatbots are also able to help us manage our call centre volume and provide better service to our customers around the clock. We have rolled out our chatbots in Hong Kong, Japan, the Philippines, Singapore, Malaysia, Thailand and Indonesia.

We also engage our customer base through customer engagement platforms such as FWD MAX, which provide value-added services, promotions and content driven by customer preferences. By enhancing the use of data we collect, we aim to achieve higher customer retention rates and new sales through these platforms, while remaining in compliance with the applicable laws and regulations.

Sales Enablement

We have transformed our traditional face-to-face distribution channels by enhancing and empowering our agents and bancassurance partners with digitalised tools and by integrating the digital experience with the human touch. To this end, we have developed various tools and platforms to support the entire sales process, enabling analysis of customers' financial needs, quotations, eSubmission and automated underwriting, thereby allowing our sales force to serve our customers more efficiently and effectively at anywhere and anytime.

For example, we have embedded technology at every step of our agents' sales process, as described below:



- *Prospecting*: FWD Affiliates is a social media engagement platform that enables our agents to broaden their sales network beyond traditional sales channels. Anyone can sign up and become an affiliate for free on the platform. After signing up, the affiliates can earn rewards by sharing articles through the app on social networking websites. Since we first launched FWD Affiliates in Malaysia in March 2020, we have recruited over 9,900 affiliates as of 31 December 2021, up from 4,000 affiliates as of 31 December 2020. This generated over 11,500 leads as of 31 December 2021, up from approximately 3,600 as of 31 December 2020. We attracted more than 82,000 social media advertisement views in 2021 and were able to match O2O leads. From January to December 2021, we recorded an average monthly leads-to-sales conversion rate of over 66% in Malaysia, and its APE contribution to the FWD Takaful agency business was over 20%. We have now also launched FWD Affiliates in the Philippines and Indonesia, with a plan to further roll-out to Vietnam, Hong Kong and Thailand in the near future. In Indonesia, within the first year of launch in 2021, FWD Affiliates contributed to approximately 12% of agency APE.

- *Leads Management*: We manage leads through machine learning-driven insights to capture ideal prospects and convert them into customers, mainly through AI Customer 360, which provides a personalised and holistic view of our customers' insurance needs at the product category level to our agents and has successfully contributed to cross-selling. Additionally, it offers an AI prediction of the next-best-product for each customer, with over 80% accuracy in its application in Hong Kong, Thailand, Singapore and Vietnam.

- *Point of Sales (**"POS"**)*: We equip our agents with digital tools, such as FWD Smart ePOS and AI^2. FWD Smart ePOS can conduct real-time analysis of customer needs and profiles, engagement support and quick quotes, and is used by approximately 10,600 average monthly active users in 2021. AI^2, which is our own AI-driven financial planning tool that provides our agents with a realistic assessment of each of our customer's needs, risk appetite and affordability, resulting in more enriched conversations between agents and customers. Empowered by such tools, our sales in Emerging Markets are now cashless and paperless.

- *Sales Management*: iRIS, our mobile sales activity management app provides our agents with daily task management, lead activity management, policy management, performance management and other functions. It provides one-stop sales management support by feeding insights on our existing customers to our distribution partners on a daily basis.

We believe that these technologies and tools have been well received by our partners and have significantly boosted their productivity. Similarly, we have been able to roll out bancassurance partnerships swiftly and transform sales force productivity.

Business and Operation Management

We apply data analytics and AI across our sales, underwriting, claims, policy administration, actuarial, collections and finance functions to automate our processes and enhance operational efficiency. We have introduced the following key initiatives to automate our operational processes:

- *Automated Underwriting*: We have implemented an AI-driven automated underwriting engine to provide a faster and simpler underwriting process to our customers. We have reduced our number of underwriting questions and refined them to solicit more relevant and accurate data, which helps us to better assess a potential customer's health condition and removes the need for physical examinations. Improved risk assessment capabilities through data analytics also increased the speed of our underwriting decisions.

- *SFMC*: Sales Force Marketing Cloud ("**SFMC**") is a customer relationship management system that is designed to identify the needs and products for customers via integration with our Data Lake. By leveraging customer data and insights stored in our Data Lake, SFMC initiates automatic targeted customer engagement across all of our communication channels.

- *eKYC*: e-Know-Your-Customers ("**eKYC**") is a proprietary KYC tool that replaces manual KYC document review with an automated KYC process at an over 80% verification application success rate. eKYC resulted in a 90% reduction in usage costs compared to similar solutions developed by third parties. Since we launched eKYC in Vietnam in 2019, we have on average reduced the time required for KYC by 20% for new policy issuances.

- *AI Claims 2.0*: AI Claims 2.0 is a mobile app that can instantly generate a decision to pay customers for low risk claims. We have rolled out AI Claims 2.0 in Hong Kong and Indonesia as of March 2022 and further plan to roll out the app in Thailand and Japan in the second half of 2022.

- *AI Fraud Detection*: AI Fraud Detection is our proprietary AI-powered fraud detection solution, which is integrated with our claims system. We have rolled out AI Fraud Detection in Hong Kong and Indonesia as of March 2022 and further plan to roll out the app in Thailand and Japan in the second half of 2022. In Hong Kong, it had flagged 731 fraudulent claims in 2021.

- *AI Winback Campaign*: AI Winback Campaign is an AI-powered initiative that identifies and targets existing bancassurance customers with lapsed or premium holiday policies. Through effective targeting in 2021 in the Philippines, we increased the number of reinstated policies by 75% in June 2021.

- *AI Lapse Models*: AI Lapse Models provide insights to more efficiently allocate resources and target risk cases to pay renewal premiums via AI Customer 360. We have developed five AI Lapse Models in Thailand, each of which is tailored to various bancassurance and agency sub-channels.

Technology Employees

The number of technology employees in the Group Office grew by a CAGR of over 42% from 141 as of 31 December 2019 to 311 as of 31 March 2022, as we rolled out a number of digital initiatives. We also expanded our team of data scientists, data engineers, and data analysts, representing over 43% of our total headcount at the Group Office level as of 31 March 2022, compared to 29% as of 31 December 2019. Many of our R&D personnel have joined us from large and well-renowned technology and fintech companies headquartered in the United States, Asia and Europe.

OUR OPERATIONS IN OUR GEOGRAPHIC MARKETS

Our subsidiaries operate the Group's life insurance business across Hong Kong (and Macau), Thailand (and Cambodia), Japan and the Emerging Markets, which include the Philippines, Indonesia, Singapore, Vietnam and Malaysia. As used herein, references to "we" and "us" are to our subsidiaries operating our insurance business in each of our geographic markets.

Hong Kong (and Macau)

Market Overview

While Hong Kong is a mature insurance market, the demand for life insurance products continues to grow, driven by solid demographic and macroeconomic tailwinds. With favourable demographic trends, there is growing demand for retirement and health products, as well as untapped potential in medical protection products. The expanding affluent class in recent years has also contributed to an expanding HNW individual population providing further potential for future growth in this sector. Benefited by geographical proximity, it is popular among MCVs to seek additional insurance protection in Hong Kong. Historically, insurance sales to MCVs have contributed to a significant portion of total industry sales, though it has slowed since 2016 due to stricter capital controls in mainland China, the social unrest in Hong Kong, and travel restrictions due to the COVID-19 pandemic. However, we expect that these changes will in turn accelerate the digital transformation of the insurance industry in Hong Kong, which better fits the evolving consumer behaviour, with consumers increasingly seeking remote and digital solutions for their insurance needs. Furthermore, the regulators have been introducing favourable policies and measures to support the growth of the insurance industry, including tax incentives to stimulate demand and the promotion of remote insurance sales.

Business

FWD Life (Bermuda), FWD Life (Macau), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) operate the Group's life insurance business in Hong Kong and Macau. In February 2013, we acquired FWD Life (Bermuda) and FWD Life (Macau) from ING. Following the acquisition, we have been expanding our presence in Hong Kong with our customer-led brand and our vision to change the way people feel about insurance. We completed the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in June 2020 (subsequently rebranded as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong), respectively). Our TWPI in Hong Kong (and Macau) was US$1,443 million, US$1,730 million, US$1,888 million, US$444 million and US$447 million in 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively. Our GWP has grown at a CAGR of approximately 19% from 2014 to 2021, outperforming the industry average growth of 9% during the same period, according to NMG. From 2014 to 2021, our VNB has grown at a CAGR of approximately 14% from US$80 million to US$205 million. From the three months ended 31 March 2021 to the three months ended 31 March 2022, our VNB has grown approximately 7% from US$41 million to US$43 million.

We operate a multi-channel distribution model in Hong Kong and Macau, including tied agents, bancassurance, brokerage and neo-insurance.

Our agency distribution channel has grown significantly in recent years. Our agency force comprised approximately 3,400 agents as of 31 March 2022, including 685 2021 MDRT-registered members. We have the fifth largest number of MDRT-registered members in Hong Kong, and our agency distribution channel in Hong Kong ranked sixth in market share by APE as of 31 December 2021, based on the Provisional Statistics on Hong Kong Long Term Insurance Business for January to December 2021 published by the HKIA. Our agency recruitment strategy mainly focuses on organic recruitment. We have been investing in our in-house agency leaders to recruit and build up our sales force. In 2021, we and our agents have won multiple awards from Hong Kong Federation of Insurers, Hong Kong Management Association, Bloomberg and Institute of Financial Planners of Hong Kong.

For our bancassurance channel, we cooperate with Bank of Communications (HK) Ltd, China Construction Bank (Asia) Corporation Limited, E.Sun Commercial Bank, Ltd, Industrial and Commercial Bank of China (Asia) Ltd, CMB Wing Lung Bank-Macau Branch and Nanyang Commercial Bank, Limited under a non-exclusive, preferred banking partnership model where we align our product proposition with the banks' segmentation strategy, provide tailored training programmes for banks, launch co-branding programmes such as co-branded credit cards and deploy digital tools to help us and our banking partners to enhance the sales and customer journey. Through our bancassurance partners and bank-based brokers, we are able to present diverse and tailored product solutions to a wide group of HNW and mass affluent customers. Additionally, our long-term partnerships with the Hong Kong-incorporated bank subsidiaries of leading PRC banks allow us to tap into the vast population across the Greater Bay Area.

For our brokerage/IFA channel, our brokerage distribution channel in Hong Kong ranked third in market share by APE as of 31 December 2021, based on the Provisional Statistics on Hong Kong Long Term Insurance Business for January to December 2021 published by the HKIA. Brokers in Hong Kong strategically target MCVs and HNW individuals and we believe that our brokers are well-positioned to take advantage of the forecasted market growth and potential insurance opportunities in the Greater Bay Area. We are also aiming to roll out a self-service portal to our brokers for enhancement of the customer experience.

We also strive to make digital insurance more accessible to customers through our neo-insurance distribution, including our D2C eCommerce platform, digital ecosystems and partnerships, as well as our O2O digital referral model. By optimising our customer-led eCommerce platforms with simplified design and a straight-through product application process, we seek to further increase online traffic at our platforms and increase the online purchase conversion rate. We also distribute our products through the platforms of our digital partners, including online brokers, large eCommerce websites and e-wallets platform, and capture cross-selling opportunities by offering exclusive rewards for the members of such partner websites. Furthermore, we seek to maximise cost efficiency through O2O sales conversion through effective online lead management, digital referrals and data analytics capabilities.

In terms of customers and products, we have been diversifying our product portfolio based on evolving customer needs. We have increasingly shifted our focus away from universal life products to participating and protection products, including critical illness, medical and life policies, which are less impacted by the low interest rate environment and could enhance our profit margin. In addition to life insurance, we also distribute MPF products for our partner Sun Life, general insurance products for bolttech, and mutual fund products through FWD Financial Planning. Additionally, we have launched a number of new products that present attractive value propositions to our customers, including Life Impact Reliever, Mind Plus Critical Illness Protection Plan and a Cash-up insurance plan. See "*Business – Our Products – Product Strategy and Development*."

As digitalisation is key to our growth strategy, we have invested heavily in R&D. In terms of customer servicing, our AI chatbot with real-time and multi-language support capabilities currently handles approximately one-third of our call centre traffic. We have also implemented automated underwriting, accepting an increasing number of e-submissions of new insurance applications, and providing digitalised customer management support for our distribution channels with iRIS.

We have promoted systems integration between Hong Kong and Macau to enable us to shift sales and operations across the two markets in a flexible and agile manner. We also benefit from shareholder support and work closely with affiliated companies such as Hong Kong Telecom and bolttech on cross-selling and other collaboration opportunities.

Strategy

In the Hong Kong and Macau markets, we aim to improve profitability, accelerate protection growth and eliminate expense overrun by:

- further strengthening our multi-channel strategy, including expanding our agency force, driving digital adoption by our agency force to enhance productivity, promoting the preferred partner model for our bancassurance and brokerage channel to deepen penetration in HNW and targeted customers, and further broadening our customer reach and deepening customer engagement through our neo-insurance channel;

- product revamps and launches to enhance value creation, such as enhancing core critical illness and medical products with new features and enriching the packaging of savings products to differentiate ourselves from our peers;

- pursuing digital advancement to achieve operational excellence, through technologies and initiatives such as our cloud computing, automated underwriting, digitalised sales and services platforms, and AI chatbots;

- further unlocking synergies through our integration of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, including expanding our sales force, enlarging our customer base and achieving a higher operational efficiency through economies of scale; and

- positioning our product strategy and risk management for a smooth adaptation to the GWS framework and enhance our capital efficiency.

Thailand (and Cambodia)

Market Overview

The insurance market in Thailand has faced headwinds in recent years, as a result of social commotion, regulatory changes, and the COVID-19 pandemic. Nonetheless, we believe that there is significant untapped potential within the Thailand life insurance market as the population remains substantially underinsured. In addition, Thailand's aging population has increased the demand for protection, medical and pension products.

Business

We commenced life insurance business in Thailand in 2013, when we acquired ING's life insurance business in the country and rebranded it as FWD Thailand, our regulated insurance subsidiary which operates our business in Thailand. Our acquisition of SCB Life in September 2019, along with a successful digital integration to effectively target customers and cross-sell insurance products, significantly enhanced our business scale, distribution reach and brand visibility. We have been able to take advantage of the various synergies since the acquisition, growing SCB Life's full-year APE from US$263 million in 2019 to US$362 million in 2021, according to the Thai Life Assurance Association ("**TLAA**"). By leveraging on our new partnership with SCB, our business in Thailand has grown significantly. Our TWPI in Thailand was US$1,140 million, US$2,255 million, US$2,249 million, US$733 million and US$693 million in 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively. Our GWP has grown at a CAGR of approximately 29% from 2014 to 2021, compared with an industry average growth of approximately 3% during the same period, according to NMG. Our VNB has grown at an organic CAGR of approximately 14% from US$43 million in 2014 to US$72 million in 2018, which is the last full year prior to the acquisition of SCB Life and the execution of our distribution agreement with SCB in 2019. In 2021, our VNB reached US$217 million. In the three months ended 31 March 2022, our VNB reached US$72 million, up 4% from US$69 million during the same period in 2021.

We operate under a multi-channel distribution model in Thailand, including bancassurance, agency, brokerage and neo-insurance channels. We have built our bancassurance channel in Thailand through our past partnership with TMB, one of the leading banks in Thailand with US$28 billion in total assets across 416 branches and 4 million customers as of 31 December 2018 prior to its merger with Thanachart Bank Public Company Limited, as well as our current exclusive partnership with SCB, the leading bank in Thailand by market capitalisation, with US$100 billion in total assets across 718 branches and over 17 million total customers as of 31 December 2021.

We efficiently replicated our success in relation to the TMB partnership in 2019 with SCB, and created the leading bancassurance franchise by GWP in Thailand within just six months of launch according to data from the TLAA. During our partnership with TMB from 2013 to 2020, we worked closely with the bank to digitalise its face-to-face sales process and deliver better customer experience by incorporating big data analytics and other digital tool kits into the sales process, from lead generation to policy issuance. The direct integration of our systems with TMB was crucial in identifying customers' specific needs and effectively implementing a tablet-based, fully electronic sales process by TMB's sales staff to enhance customer interactions. During the course of our partnership with TMB, we achieved improvements across various metrics, including the number of cases per active seller per month by 1.9 times, APE per active seller by 2.0 times, bancassurance VNB margin from approximately 42% to approximately 55%, bancassurance market share by GWP in Thailand from 3.9% to 5.5% and bancassurance APE by 2.4 times. On 1 April 2020, we novated our distribution agreement with TMB to Prudential Life Assurance (Thailand) Public Company Limited for a total consideration of US$580 million. See "*Financial Information – Factors Affecting Comparability – Acquisitions, Investments and Discontinued Businesses*."

In September 2019, we secured a new bancassurance partnership with SCB. We activated our partnership with SCB quickly, as demonstrated by our launch of a new product, SCB Multi-Care Multi-Claims, only three months after the commencement of our partnership. APE sales generated by SCB Multi-Care Multi-Claims exceeded our sales targets by 22% in its first month of launch. SCB has multiple digital channels with an array of products to serve its customers. Through its SCB EASY app, the number of online transactions facilitated through the app represented 85% of SCB's total transaction volume in 2021. Our products and services are fully integrated into SCB's digital tools, accessible by 78% of its customer base as of 31 December 2021. Leveraging our successful experience of working with TMB, our partnership with SCB allowed us to offer our products to a wider group of young and tech-savvy customers. As of 31 March 2022, we had a base of approximately 1.4 million policyholders through our partnership with SCB, representing a 10.2% growth of the number of new individual policyholders we acquired in 2019 as a result of our acquisition of SCB Life. We have worked closely with SCB to build data analytics models, including Propensity to Buy and Next Best Offer, which analyse a customer's life stage, coverage gap, persona and purchase behaviour to predict what is the next best appropriate product for the customers, prompting customised product recommendations that are tailored to cover the customer's specific protection needs. We also aim to provide more investment-related products through the bancassurance channel. We believe that the above initiatives have supported our strong post-acquisition organic growth in policyholder base and financial performance, with VNB generated through SCB and other distribution networks of SCB Life increasing from US$127 million in 2020 to US$170 million in 2021. Comparing the fourth quarter of 2019 (the first full quarter immediately following the acquisition of SCB Life) to the first quarter of 2022, the VNB and VNB margin increased by approximately five and three times, respectively. We also increased the Protection VNB generated through our partnership with SCB from US$49 million in 2020 to US$72 million in 2021.

Our second largest distribution channel in Thailand is the agency channel, with over 6,100 agents in Thailand as of 31 March 2022. To meet evolving customer needs, we are offering more riders through the agency channel. Riders are insurance policy provisions that add benefits to amend the terms of a base insurance policy to provide additional options and coverage. We ranked as the top life insurer in digital sales in Thailand for the year ended 31 December 2021 according to the TLAA, capturing a 33% market share by digital sales GWP. We have introduced a number of new products and tools, including Thailand's first mobile life insurance applications. We also offer products such as life insurance, personal accident and COVID-19 protection through our eCommerce platform on a D2C basis. In recent years, the focus of our product portfolio has changed from short- and medium-term savings products to protection and health.

Strategy

To achieve continued growth in Thailand, we aim to:

- develop digital customer engagement ecosystems to enhance operational efficiency, eliminate manual processes, support sales and strengthen our multi-channel distribution capability;

- sustain leadership in bancassurance sales by increasing penetration in the SCB customer base through further digital integration and customer insights and expand health and protection growth through the SCB Protect direct sales force;

- promote sales of protection products and riders to provide customers with relevant protection cover and improve our VNB margin;

- launch new, simple and personalised customer-facing platforms based on our AI data analytics and interconnected technology backbone;

- promote a fully agile and empowered work environment for our employees and agents; and

- eliminate expense overruns through successful integration of SCB Life and expansion of our business scale.

Cambodia

In December 2020, we acquired Bangkok Life Assurance (Cambodia) Plc. (renamed as FWD Life Insurance (Cambodia) Plc.) to operate our insurance business in Cambodia. FWD Cambodia launched operations in Cambodia in September 2021. Our bancassurance channel comprises exclusive partnerships with First Finance Plc and Chip Mong Commercial Bank Plc. Our operating model is:

- to leverage the digital capabilities and back-office infrastructure of our leading Thailand business to position FWD Cambodia as a digital leader with paperless and highly automated operations and an efficient capital structure;

- to leverage our digital capabilities to serve a multi-channel sales model across D2C and referral, and establish new digital partnerships, including with micro-finance institutions, emerging banks and fintech players, in addition to building a sizeable and high-quality agency force;

- a product portfolio with focus on new endowment products packaged with protection riders, complemented by simple health and protection products such as critical illness, cancer, term life and group credit life; and

- a focus on the emerging-middle to upper-middle-class Cambodian customers, primarily residing in the major urban areas.

Japan

Market Overview

Changes announced by the National Tax Agency of Japan in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) have significantly impacted the demand for COLI products in Japan over the last two years (see "*Risk Factors – Risks Relating to Legal and Regulatory Matters – Changes in tax regulations have had, and may continue to have, an adverse effect on the demand for our insurance products*"). As a result of the change in the regulatory environment, coupled with other challenges faced by the Japanese insurance market such as the continuation of the low interest rate environment and stagnation of the life insurance product sales at bancassurance channels as a result of the COVID-19 outbreak, the industry total APE decreased substantially from 2019 to 2020, according to NMG.

Business

We commenced our operations in Japan after we completed the acquisition of AIG Fuji Life Insurance Company, Limited from American International Group, Inc. ("**AIG**") for US$330 million in April 2017, which was subsequently rebranded FWD Life Japan, our regulated insurance subsidiary which operates our business in Japan. Our TWPI in Japan was US$1,801 million, US$2,131 million, US$2,105 million, US$677 million and US$611 million in 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively. Our APE in Japan grew by 87.7% from US$270 million in 2019 to US$507 million in 2020, outperforming the industry average APE which decreased from US$22 billion in 2019 to US$14 billion in 2020. Our GWP grew at a CAGR of 10% from 2018 to 2021, compared with an industry average decline of approximately 4% during the same period, according to NMG.

Through 2018, COLI products were a major source of our revenue in Japan. Since 2019, to ensure sustainable and profitable growth in light of the regulatory and market changes, we have shifted our focus to individual protection products. We have repriced and updated our individual protection product offerings and introduced five new products in 2019 alone. Due to our efforts to accelerate the offering of individual protection products, we have increased our VNB in Japan, excluding retrocession reinsurance and COLI by a CAGR of 31% from 2018 to 2021, and by 8% from the three months ended 31 March 2021 to the three months ended 31 March 2022.

We believe that we operate a competitive and sustainable business model focused on the specialised but large individual protection market. We aim to gain market share and believe that there is ample room to grow in this market segment.

Our distribution model in Japan is primarily focused on the IFA channel, supplemented by the neo-insurance channel. In Japan, IFAs distribute products via various avenues, including shop-type agencies (which serve young retail customers with retail-style outlets) and case agencies (which sell insurance products to SME and HNW customers in person or by mail). We are regularly refreshing our IFA force to capture the top nationwide IFA partners in the market while reducing the number of IFAs with low productivity. We also distribute our products under a long-term distribution agreement with AIG through its subsidiary, AIG General Insurance Company, Ltd. (formerly known as Fuji Fire & Marine, Ltd).

Our D2C distribution is primarily operated through telemarketing from our call centre in Okinawa, which enables customers to buy our insurance products directly on the phone. To date, a smaller contribution of sales was generated through other neo-insurance channels such as our websites.

The COVID-19 pandemic has brought challenges to many insurance providers in Japan, in particular to those who incur high labour costs from their large and nationwide sales forces. We operate with a relatively small sales force in Japan and recently have focused on shifting our sales away from face-to-face methods, particularly in the brokerage and IFA channel as part of our efforts to digitalise our operations. Instead of deploying our sales force throughout Japan, we support our sales team from our call centre in Okinawa to expand our distribution coverage and increase cross-selling between our channels, especially in distant areas and those with low sales activity. We believe that such initiatives have enhanced our product sales, strengthened our relationships with IFAs and improved customer experience.

In addition, we have invested heavily in research and development in accordance with our digitalisation strategy. Our operations are supported by robust technology capabilities and digital infrastructure which is cloud-based and seamlessly integrated across our business functions. As part of our business digitalisation, we have introduced multiple key technologies and initiatives that cover key areas of our operation. For example, we have increased our operational efficiency, and business scalability through digitalisation of our operations and utilisation of cloud infrastructure to host our applications and servers. We have also enhanced customer satisfaction in claims processing through automation. Our STP and AI Claims 2.0 systems have increased processing speed, reduced error ratios and waiting time by employing analytics-driven software.

Strategy

To achieve continued growth in Japan, we aim to:

- maintain an agile business model to adapt to changes in customer, product and regulatory trends in the Japanese insurance market; to achieve this, we have reengineered our approach to product development and delivery which we believe will lead to faster turnaround times for new products;

- focus on the sales of individual product offerings such as medical, cancer and critical illness and income protection via IFA and neo-insurance to further increase our market share in our target segments;

- accelerate the digitalisation of our operations and products, including the introduction of paperless and automated processes, customer self-service portals and enhanced integration with our distribution partners to become a digitally-oriented insurance company; and

- enhance our operational efficiency, including by expanding our non-face-to-face sales and optimising our workforce structure to eliminate cost overruns.

Our Emerging Markets

Market and Business Overview

Through our regulated insurance subsidiaries, we operate in key and fast-growing markets in Southeast Asia, including the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Except for Singapore, these markets share features such as a large and expanding labour force, robust economic growth underpinning a growing middle class with wealth accumulation, improving financial inclusion across socio-economic classes accelerated by increased access to technology, and an underpenetrated and underserved population. Additionally, except for Singapore, the level of insurance penetration in these emerging markets, measured by calculating insurance premiums as a percentage of total GDP in a given market, was less than 5% as of 31 December 2021, according to NMG. However, growing health and protection awareness in these markets is expected to increase per capita spending on insurance and mitigate the slowdown induced by COVID-19 and other recent macroeconomic pressures.

Emerging Markets have been a key growth engine for us, and represented 5.8%, 6.6%, 8.9%, 7.4% and 8.9% of our total TWPI for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, respectively. We believe that we are well-positioned to capture the substantial and dynamic opportunities in these markets, leveraging our digitally empowered and diverse distribution channels and customer propositions. As of 31 March 2022, we had over 29,000 agents, 13 bancassurance partners, as well as various brokerage/IFA partners, neo-insurance platforms and eCommerce partners in the Emerging Markets. Among our Business Units, our digital adoption is most progressed in Emerging Markets with a 99% agency digital adoption ratio and 100% eSubmission in all markets in the six months ended 30 June 2022 and fully automated underwriting available in the Philippines, Singapore, Indonesia and Malaysia. While the COVID-19 pandemic has significantly impacted the region and resulted in negative growth for the insurance industry in most of these markets due to economic slowdown and government measures, we have generally outperformed our competitors in these markets. Excluding the impact of (i) our acquisitions of FWD Takaful, PTBC, VCLI and 29.9% stake in BRI Life, and (ii) the discontinued employee benefits business in Singapore, our VNB grew at a CAGR of 37% from 2018 to 2021. Our TWPI in Emerging Markets was US$271 million, US$430 million, US$609 million, US$148 million and US$171 million in 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively.

Strategy

To achieve continued growth in our Emerging Markets operations, we aim to:

- optimise our product mix with a focus on individual protection products to target the needs of middle class, upper-middle class and HNW customers;

- form high-quality distribution channels that primarily comprise agency and bancassurance with above-market growth by enhancing automation across all processes, including recruitment, on-boarding and training;

- achieve larger business scale through sustainable organic growth and enhanced profitability;

- build a team of talented employees to challenge industry traditions and create a unique and engaging work environment; and

- further promote digital differentiators in line with our overall Group strategy to attract customers and enhance our productivity and operational efficiency.

We have also tailored specific market strategies based on our operating history and industry dynamics, and target to:

- (in the Philippines) focus on our target customer segments of overseas foreign workers ("**OFWs**"), HNW individuals and tech-savvy customers by deepening our brand presence in Metro Manila, Davao and Cebu. We expect to further expand in surrounding areas based on an asset-light strategy by utilising digital technology as well as O2O and remote sales;

- (in Indonesia) optimise and enhance performance, distribution access, customer reach as well as product mix following our amalgamation of PT Commonwealth Life and FWD Indonesia, minority investment in BRI Life and subsequent entry into partnership with Bank BRI; and

- (in Vietnam) accelerate our activation of the VCB customer base with a wide range of new products and lead the market in terms of product simplicity and relevance.

The Philippines

Through FWD Philippines, we are the first foreign life insurer licensed by the Insurance Commission under the new Insurance Code, Republic Act No. 10607 which was enacted into law in 2013, to operate in the Philippines. We launched commercial operations through FWD Philippines in September 2014. Our GWP has grown at a CAGR of approximately 44% from 2015 to 2021. According to NMG, the industry GWP grew at a CAGR of approximately 9% over the same period. In 2021, we ranked as the eighth largest life insurer in the Philippines as measured by new business APE, according to the Philippine Insurance Commission.

Since entering the market, we have, and continue to develop, new products and services to meet the protection and investment needs of our target customers, including tech-savvy customers, mass affluent, HNW and OFW segments.

As of 31 March 2022, we had over 4,200 agents in the Philippines, and continue to develop a trusted and digitally-literate agency force through recruitment and MDRT development. We also forged a successful long-term exclusive bancassurance partnership with Security Bank in 2015, through which we effectively utilise both bank staff and our insurance specialists to optimise sales productivity and explore further opportunities such as the launch of a co-branded debit card and the promotion of our products on Security Bank's ATMs and online platform. Under this partnership, we have successfully achieved an increase in Security Bank's sales productivity as demonstrated by an increase in its bancassurance APE at a CAGR of 19% from the launch of our partnership in 2015 to 2021, and on average 95% of our insurance specialists sold at least one policy per month during 2021. We also operate a direct digital channel and have proactively integrated our online and offline offerings to increase our sales. As of 31 March 2022, we had a base of approximately 90,000 policyholders, respectively, through our partnership with Security Bank.

We were the first insurance provider in the country to launch in-market 24-hour customer service in 2017, to obtain approvals from the regulators to offer remote insurance sales through the use of electronic signatures and to conduct remote recruitment by self-certifying agents during the COVID-19 pandemic. In 2018, we launched FWD Tapp, which offers customers a 24-hour information gateway and service centre and allows our customers to access and manage their insurance policies with us quickly and easily. The Philippines was also among the first markets where we launched AI^2, our AI-driven financial planning tool.

Indonesia

We commenced business operations in Indonesia in June 2015 and consolidated FWD Indonesia's business in our financial results from 2015. FWD Indonesia, which is our regulated insurance subsidiary operating our insurance business in Indonesia, received a Shariah-compliant life insurance license in 2015 and launched its first Shariah product in 2016 aimed at the majority Muslim population in the country. We completed the acquisition of PT Commonwealth Life in June 2020 and as of December 2020, we integrated the two companies under one platform with unified products and systems. The GWP of our Indonesia business grew at a CAGR of approximately 63% from 2016 to 2021. According to NMG, the industry GWP in Indonesia grew at a CAGR of approximately 4% over the same period.

As of 31 March 2022, FWD Indonesia had approximately 3,300 agents, of which approximately 3% were 2021 MDRT-registered. Our bancassurance channel comprises exclusive bancassurance partnerships with PTBC and non-exclusive bancassurance partnerships with PT Bank Mestika Dharma Tbk. We also recently launched an ecosystem partnership with Traveloka, Southeast Asia's leading digital travel and lifestyle booking platform. Through this platform, we provide users with convenient access to comprehensive protection, offering customisable health insurance benefits and affordable cancer protection since early stages without requiring any medical check-up. In the first two months since the launch of credit life product sales via Traveloka's website and mobile app in March 2021, we sold approximately 35,000 credit life policies.

We have conducted extensive customer research to create a product portfolio that best caters to the needs of Indonesian customers. Unit-linked products have historically comprised most of our insurance product sales in Indonesia, but we have shifted our focus to traditional critical illness products with a protection focus. We recently launched FWD Critical Armor, which covers up to three critical illness claims in a single policy and reinforces our protection focus. We have introduced a number of new products in Indonesia, including the first O2O unit-linked product, LooP, a cancer care product that offers 100% protection (including early-stage cancer) and a personal care Shariah product that can be bought online with an in-patient, hospital health benefit.

Since the inception of the business, FWD Indonesia has operated on a paperless and cashless basis, including e-submission, electronic signature as well as electronic policy issuance and delivery. We have also recently launched an e-claims process and an e-policy assistant to allow our customers to complete a substantial amount of their transactions with us online by themselves. For our distribution channels, we have automated our agency recruitment process and provide e-training through our e-licensing platform to onboard our new agents.

In order to extend our Group's insurance expertise and capabilities to more customers in Indonesia, in March 2021, we subscribed for 29.9% of the issued share capital in BRI Life, the second largest bancassurer in Indonesia in 2021 in terms of APE according to Asosiasi Asuransi Jiwa Indonesia. Our Group also agreed to provide additional capital contribution to BRI Life, which is expected to increase our stake in BRI Life to 44.0% across a three-year period and in March 2022, we subscribed for additional shares in BRI Life which resulted in our shareholding increasing to 35.1%. Concurrently with our initial subscription into BRI Life, BRI Life entered into a 15-year distribution partnership with Bank BRI. Bank BRI is the largest bank in Indonesia by market capitalisation, according to NMG. As such this collaboration strategically complements our own agency channel and our partnership with PTBC. Bank BRI shares our focus on strong digital capabilities that enable cost-effective access to the customer base with predominantly protection products.

Singapore

We acquired a controlling stake in Shenton Insurance Pte. Ltd. in 2016. Subsequently, we acquired the entire remaining stake in the company, and it became our wholly-owned subsidiary in June 2019, responsible for operating our insurance business in Singapore. Our life insurance GWP in Singapore grew at a CAGR of 14% from 2017 to 2021. According to NMG, the industry life insurance GWP grew approximately 7% over the same period.

While our API-enabled D2C platform focuses on mass customers as a primary target segment in Singapore, we are increasingly focused on expanding our reach to penetrate affluent and HNW individuals through the fast-growing IFA channel given Singapore's status as one of the largest offshore wealth management hubs in the world. While group insurance products used to be a dominant product category in our portfolio, they have been gradually replaced by our life insurance product offerings, including term life, critical illness and medical, as well as travel, automobile and other individual insurance products. After the launch of term life sales via the IFA channel in 2020, we also commenced the offering of unit-linked products in 2021 and are the leading online insurance provider in Singapore in terms of number of online regular premium policies sold, according to NMG. Additionally, we introduced a new insurance plan, the Big 3 Critical Illness Insurance Plan in 2020, which offers working adults comprehensive protection against the three leading causes of death: cancer, heart attacks and strokes. According to NMG, approximately 80% of critical illness claims in Asia are for these three conditions.

FWD Singapore currently distributes our products in Singapore through neo-insurance and IFA channels. Under our neo-insurance channel, we acquire customers on a D2C basis through our website, search engines and affiliate partnerships as well as O2O cross-selling opportunities. For our IFA channel, we have approximately 3,000 IFAs from 15 IFA partners in Singapore as of 31 March 2022, who distribute our products such as our term insurance plan, the first product launched through the IFA channel, which utilises the straight-through-underwriting system. Our IFAs can also leverage various digital tools, such as our platform that allows remote sales, transactions and customer consultation.

Our customers in Singapore enjoy a seamless and paperless purchase journey through our fully digital platform and technology-enabled IFA channel. We are automating our underwriting process, which is integrated along with other digital tools into our sales support application FWD Smart. Since 2020, all of our new insurance applications and most service requests in Singapore were submitted online.

Vietnam

We commenced our operations in Vietnam in 2016 following our acquisition of Great Eastern Life (Vietnam) Company Limited. We subsequently renamed it as FWD Vietnam, which is our regulated insurance subsidiary operating our insurance business in Vietnam. In April 2020, we further expanded our business in Vietnam with the acquisition of VCLI and launch of our exclusive bancassurance partnership with VCB. Since then, APE generated from VCB increased from US$3 million in the second quarter of 2020 to US$7 million in the fourth quarter of 2020 to US$9 million in the second quarter of 2021 and further to US$10 million in the fourth quarter of 2021. The GWP of our Vietnam business grew at a CAGR of approximately 100% from 2017 to 2021. According to NMG, the industry GWP in Vietnam grew at a CAGR of approximately 25% over the same period.

FWD Vietnam offers products ranging from universal life, unit linked, endowment, to a suite of riders serving as add-on protection products as well as standalone protection products such as cancer care, critical illness, Medicare, term life and credit life. We design our products under a customer-led approach. We have also been simplifying our contract wording to be reader-friendly and easy-to-understand for customers and offering more products online. We believe that our rider attachments drive an increased protection ratio, serve customer needs and improve our profit margin.

We operate a multi-channel distribution model in Vietnam, including tied agency, bancassurance, IFA, and neo-insurance channels. We have built a highly productive agency force and are now ranked third in the MDRT 2022 rankings for life insurers in Vietnam based on the number of MDRT-registered members. We formed exclusive bancassurance partnerships with An Binh Bank in 2016 (which was subsequently terminated in April 2022), Nam A Bank in 2017, and VCB, the leading commercial bank in Vietnam, in 2020 as part of our acquisition of VCLI. We launched our IFA channel in 2017 and are currently cooperating with 15 IFA partners locally. As of 31 March 2022, we had over 82,000 policyholders through our partnership with VCB. Compared to approximately 20,000 new individual policyholders in 2020, which was the first year of partnership following our acquisition of VCLI, this demonstrates our strong post-acquisition organic growth.

FWD Vietnam's operations in Vietnam is among the most digitally-advanced of our business. Our agency force can utilise a variety of digital tools including eRecruit, eLearning, FWD Ezi (our electronic application submission system) and iRIS. We are also transforming our bancassurance partnerships with NextGen Banca, under which we utilise data and customer analytics to better serve our customers. Our neo-insurance channel includes our digital distribution via our eCommerce platform. In addition to adopting a cashless and paperless sales model, we have also implemented other initiatives such as eClaims, ePolicy, eCash withdrawal to enhance the customer experience.

Malaysia

We commenced operations in Malaysia with our acquisition of HSBC's 49% stake in HSBC Amanah Takaful in March 2019. The GWP of our Malaysia business grew by approximately 173% from 2020 to 2021. According to NMG, the industry GWP in Malaysia grew by approximately 9% over the same period.

FWD Takaful's product portfolio covers unit-linked products, traditional products, premium-paying riders, advisory and other individual and group products. In general, we are shifting our focus away from savings to protection products, including term life, critical illness, cancer, hospital cash benefit and medical. We are also extending the coverage of many of our products to the insured's family and children.

FWD Takaful operates a multi-channel distribution model, including (i) a bancatakaful partnership with HSBC Amanah Malaysia Berhad, (ii) an agency channel with approximately 5,000 agents who have access to FWD Affiliates, (iii) a neo-insurance channel for online D2C sales, and (iv) other channels that provide takaful protection for government servants.

We utilise various digital tools to manage and enhance the performance of our distribution channels. We use iRIS to monitor sales through our agents. We allow our agents to use AI^2 to analyse customer data and provide better services. Our neo-insurance channel mainly comprises our eCommerce platform, which supports STP through our automated underwriting engine.

INVESTMENTS AND ASSET MANAGEMENT

Overview

We invest the premiums and other income generated from our insurance businesses to generate investment return. Our investment philosophy is to maintain a balanced asset portfolio that generates relatively stable investment returns. To match our long-term liabilities, we focus on investment grade fixed income securities. We also invest in riskier assets with higher returns, such as equity securities, real estate and alternative investments, mainly to support our traditional participating and universal life insurance products.

As of 31 March 2022, we had US$46.2 billion in investment assets (which includes financial investments, investment property, and the assets and liabilities of derivative financial instruments), of which US$43.7 billion were policyholder and shareholder investments and US$2.5 billion were unit-linked investments. For the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, we had net investment income of US$722 million, US$1,032 million, US$1,262 million, US$294 million and US$306 million, respectively. We separate our financial investments into two categories: policyholder and shareholder investments, and unit-linked investments. In general, the investment risk of unit-linked investments is borne by our customers, who are responsible for allocating their premiums among the investment options that we offer. Policyholder and shareholder investments include all financial investments other than unit-linked investments. Supported by the rising interest rate environment in the first half of 2022 and our investment management strategy, our new money fixed income yields increased by over 2.0% in the second quarter of 2022 as compared to the fourth quarter of 2021.

Investment Management and Framework

We manage our investments in accordance with our investment management framework, which seeks to ensure that our investment functions are effective and compliant with relevant laws and regulations. It also requires that our investment functions adhere to our ethical standards and risk management policies.

Our Board has established a risk committee (the "**Risk Committee**"), which has primary responsibility for overseeing the investment of all our assets (other than operating assets) within the risk guidelines set by our Board. To meet our investment objectives, the Risk Committee reviews and approves our investment strategy and asset allocation. See *"– Risk Management"* and "*Directors and Senior Management – Board Committees – Risk Committee"* for further details.

There are two management committees which oversee our investment activities, namely, the investment committee established by the Board (the "**Investment Committee**") and the ALMCO established by the Risk Committee. The Investment Committee and the ALMCO are required to report all significant risks and issues identified in performing their duties to the Risk Committee, which provides oversight of our risk management framework.

The Investment Committee is chaired by our Group Chief Financial Officer and currently consists of three other members, namely, our Group Chief Executive Officer, Group Chief Risk Officer and Group Chief Actuary. The Investment Committee reviews, approves and monitors investment management strategies and delegates authority to our Business Units to carry out relevant activities in line with our risk appetite. Investment decisions are made by asset managers within the Business Units and subject to our defined and approved investment policies and guidelines.

The ALMCO is also chaired by our Group Chief Financial Officer. It currently consists of five other members, namely, our Regional Chief Financial Officer, Group Chief Actuary, Group Chief Investment Officer and Group Chief Risk Officer. The Group Vice President, Investment Risk, when such position is filled, shall also be a member of the ALMCO pursuant to its terms of reference. The ALMCO has delegated authority from the Risk Committee to oversee the management of insurance risk, market risk, credit risk and asset liability management matters.

The Group manages its assets and liabilities according to its asset liability management policy under the enterprise risk management framework which addresses risks arising from market exposures, asset-liability mismatches, liquidity management, currency exposures and fund segregation. Each Business Unit also has specific goals and objectives – whilst these differ depending upon their individual circumstances and environment, there are some overarching principles that are applied.

These principles ensure that any local legislation that may apply to the treatment of assets and liabilities is considered and that asset cash flows are managed in relation to liability cash flows in a manner that is within the agreed limits and risk appetite of the Group. Additionally, only asset classes permitted by the Group can be invested in and any financial derivative instruments must never be used for speculative purposes.

Asset-liability mismatch risk is the risk of adverse movements in the relative value of assets and liabilities. Assets and liabilities are considered to be well matched if their changes in value in response to market movements are highly correlated and within predefined risk metric limits. In assessing its asset-liability mismatch, each Business Unit determines the appropriate metrics and respective risk thresholds and have approvals for these from the ALMCO. These typically include mismatches between the asset and liability cashflows, duration, dollar duration, liquidity and currency.

The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities at segment-level. In order to reduce exposure to changes in interest rates, the Group seeks to match, to the extent possible and appropriate, the duration of assets and related liabilities. However, the availability of assets of suitable duration may be restricted by applicable insurance laws, rules and regulations or other market factors.

In addition, the Group continuously monitors its investments through various methods, including management reports, review of risk indicators, action tracking, key control testing, supervision, quality assurance, back-testing, scorecard review, policy review and self-assessment. Our local investment committees and the ALMCO review, at least on a quarterly basis, investment reports by asset class, sector allocation and allocation across ratings. Furthermore, our equity investments are mainly managed by dedicated private equity managers, who provide us regular access (at least on a monthly basis) to portfolio performance and details.

Specific governance processes and procedures are in place for ALMCO to ensure any breaches or errors are identified quickly and to govern the process for escalating any of these breaches to the appropriate parties.

Investment Strategy

Our insurance products are of a long-term nature and may embed guaranteed and non-guaranteed returns. The main objectives of our investment strategy are to meet our financial obligations to policyholders, the reasonable expectations of policyholders, and regulatory capital requirements. In this regard, our Group's investment strategy takes into account the different product characteristics and capital requirements within each business unit.

Our policies require each business unit to formulate its strategic asset allocation ("**SAA**") that is able to meet our main investment objectives and to manage investments within the approved risk appetite. Our insurance portfolios include the following major asset classes:

- fixed income assets, which can provide predictable cash flow from coupons and maturity payments to meet our contractual liability payments;

- major debt fixed income classes such as government and government agency bonds and corporate bonds; and

- structured securities, which can provide diversification and return.

Our focus is on credit quality. Our fixed income investments are predominantly investment grade credits comprising AAA to BBB- ratings. Within these major fixed income asset classes, we also seek diversification across geographies, industry sectors, issuers and currencies. Currency exposure on account of bonds denominated in currencies other than the underlying insurance liabilities will be hedged.

Individual insurance portfolios are composed of these fixed income asset classes with varying degrees of exposure depending on the characteristics of insurance liabilities; for example, long duration liability portfolios tend to be invested to a larger degree in government bond securities as these are issued with long maturities up to 50 years. Portfolios with higher return targets would focus more on corporate bonds that provide higher income due to credit spreads over government securities.

To a smaller degree, insurance portfolios may hold riskier assets such as public and private equity, other alternative assets, and property. Such holdings provide diversification and higher expected long-term returns.

The Group aims to hold and manage capital to meet all policyholder obligations, regulatory capital requirements and economic capital requirements sufficient to meet our credit rating needs and in accordance with the Group Risk Appetite Framework as approved by the Group Board. We have also established a set of risk policies that support the implementation of our Enterprise Risk Management Framework and Risk Appetite Framework to govern risk-taking across various risk factors pertaining to investment assets. Our SAA Policy and Asset Universe documents stipulate the limit for each asset class and the permitted underlying instrument for each asset class. There are relevant policies that involve multiple layers of limit systems where risks are monitored against the approved risk limits, and prescribe escalation procedures to address excessive risks which are reported to and addressed by the ALMCO, the Investment Committee or Board committees. During the Track Record Period, the Group did not record any material and reportable deviation from the risk limits defined in the Risk Appetite Framework for the investment portfolio.

Outsourced Investment Managers

We outsource a portion of our investment portfolio to external investment managers. As of 31 March 2022, we managed 38.9% of our Assets Under Management ("**AUM**") for policyholder and shareholder investments. PineBridge, a related party, managed 28.4% of our AUM as of 31 March 2022, primarily consisting of investment grade bonds and alternative investments primarily for our FWD Life (Hong Kong) and FWD Life Japan portfolios. For more information regarding our investment management agreement with PineBridge, see "*Connected Transactions*." SCB Asset Management Company Limited managed 26.4% of our AUM as of 31 March 2022, which primarily included investments in equities and investment grade and high yield bonds for our Thailand business. The remaining balance of our AUM was managed by other external third parties as of 31 March 2022.

On 13 December 2021, we entered into an Amended and Restated Investment Management Framework Agreement with Apollo Management Holdings, L.P. and Athene and an Amended and Restated Master Investment Management Implementation Agreement with certain affiliates of Apollo, which together set out the framework for a strategic collaboration between certain affiliates of Apollo, Athene and our Company in asset management, product distribution and reinsurance. Apollo is one of the largest asset managers globally, with an AUM of US$513 billion as of 31 March 2022. The partnership allows the Group to tap into Apollo's expertise in managing insurance balance sheets and deploying capital globally, having built up significant capabilities to support affiliated and third party clients. Our Directors believe that the Group will also be able to benefit from Apollo's scalable origination platform with a track record in achieving yield uplift for its clients. Save for the [**REDACTED**] Investment by Athene, Apollo is an independent third party of our Company.

Pursuant to the investment management agreement, one or more Apollo affiliates will manage part of our Company's investment portfolio, across multi-credit and alternative asset classes. Since the entry into these agreements, we have made purchases of investment grade assets from public markets with blended yields above comparable indices, and we expect the allocation to increase over time with an aim to achieve further yield uplift.

The initial term with respect to the multi-credit asset classes will be five years from the date of each deposit of assets in connection with the investment management mandate, with automatic annual renewals thereafter up to year 10, subject to performance, fees and compliance with law and regulations. Each of the investment management implementation agreements may be terminated by our Company at any time if Athene and/or its affiliate assignees cease to hold at least 75% of the Tranche A Purchased Shares purchased by Athene in the [**REDACTED**] Investment.

The effectiveness of the Amended and Restated Master Investment Management Implementation Agreement will be subject to certain conditions, including applicable regulatory approvals required from the HKIA under its material outsourcing regime. Furthermore, pursuant to these agreements, if our Company fails to obtain the applicable regulatory approval within nine calendar months following the closing of Athene's [**REDACTED**] Investment, as a result of which our Company is unable to perform its obligations under the Amended and Restated Master Investment Management Implementation Agreement, or if our Company fails to make the requisite initial deposits on time and such failure is not remedied within a specific period of time, our Company is required to waive the lock-up restrictions applicable to Athene's [**REDACTED**] Investment. For details regarding the lock-up restrictions, please refer to "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments.*" As of June 2022, our Company has allocated US$1.8 billion of its assets to Apollo affiliates under advisory agreements. As at the Latest Practicable Date, our Company is in the process of preparing its application for HKIA approval and remains on target to meet our initial deposits requirements under the Amended and Restated Master Investment Management Implementation Agreement.

Investment Portfolio

See "*Financial Information – Investment Portfolio*" for details of our investment portfolio.

RISK MANAGEMENT

The core of our business is accepting, pooling and managing risk for the benefit of our policyholders. We have established a comprehensive risk management framework, including a risk management committee structure and robust risk management policies and strategies. We believe that the risks we have undertaken are backed by appropriate levels of capital to support the ongoing businesses and protect policyholders. While we aim to achieve the most efficient capital structures in case of our operating insurance subsidiaries, we seek to do so within acceptable levels of risk without compromising either financial strength or our requirement for appropriate returns.

Our risk management cycle starts with identifying the risks pursuant to our risk appetite framework, agree on and implement mitigation actions until the risks are resolved and comply with our risk appetite framework. We have established risk and compliance KPIs and conduct risk culture surveys regularly to promote our staff's awareness of risk issues.

Risk Management Committees

We manage our risk profile through our Risk Committee, which functions independently and is supported by the Investment Committee, the ALMCO and the compliance and operational risk committee as well as additional working committees.

Risk Management Framework

Our risk management framework applies to all our Business Units, which helps to ensure that we adopt a holistic approach towards risk management and that our risk management policies and strategies can be consistently implemented across our Group. Our risk management framework assigns clear roles and responsibilities in setting and managing our risk appetite. We regularly review our risk management framework to ascertain if any update is needed.

Our risk management framework is based on a "*three lines of defence*" model, which ensures that risks are managed according to the risk appetite established by our Board. The first line of defence is our managers and employees who manage risks on a daily basis in accordance with the strategies and policies set by our Board. The second line of defence is our risk management and compliance functions, who (i) assist the relevant risk committees to formulate the risk management strategies and policies; (ii) coordinate and oversee the execution of our risk management strategies and policies; and (iii) provide an independent assessment of our risk exposure. The third line of defence is our audit function, carried out by our audit committee with support from our internal audit department. Our internal audit function independently assesses the design and effectiveness of our overall risk management system.

Our risk appetite reflects the amount of total risk exposure that we are willing to accept or retain on the basis of risk-reward trade-offs in qualitative and quantitative terms. The risk appetite is reflective of our strategy, risk capacity and our shareholders' expectations. Our Board establishes our risk appetite through the promulgation of qualitative risk appetite statements. These statements communicate the principles that guide our selection and preference of different types of risks and establish a clear link between our overall business strategy and our risk tolerances. The qualitative risk appetite statements are further broken down into more granular specific risk tolerances for our key risk categories. These risk tolerances are monitored using quantitative metrics set by senior management in collaboration with the Risk Committee and are reported to our Board on a quarterly basis.

Risk Appetite Statements

Our current risk appetite statements are as follows:

- Our risk philosophy and approach to risk management strategy stem from our vision to change the way people feel about insurance, our corporate strategy and objectives.

- We have a distinct preference for insurance risks that are supported by sound statistical data and our own experiences.

- We tolerate market and credit risks that we readily understand.

- We have a very low appetite for operational risks and do not tolerate any fraud.

- We have no appetite for material reputational risks or any breach of law or regulation.

- We will always act with good faith and intention to treat our customers fairly and will actively take appropriate steps to mitigate the risk of unfair outcome for our customers.

Key Risk Categories

We have identified the following key risks as part of our risk appetite framework. For each key risk, we establish a number of risk monitoring metrics, each with a predetermined tolerance level and clearly defined risk ranges, to facilitate detailed monitoring of our risk profile.

Strategic Risks

Strategic risks are risks related to the competitiveness and sustainability of our Group, such as our reputation risk, long-term direction and contagion risk. Reputational risks are risks of loss of franchise value due to damage to our brand or reputation with customers, distributors, investors and regulators. Our consideration of reputational risk is a key element in our strategic risk management.

Insurance Risks

Insurance risk includes the risks inherent in insurance products, including (i) product design risk, which refers to the potential defects in the development of particular insurance products, (ii) underwriting and expense overrun risk, which refers to the possibility of product-related income being inadequate to support future obligations arising from insurance products, (iii) lapse risk, which refers to the possibility of actual lapse experience diverging from the anticipated experience assumed in product pricing, and (iv) claims risk, which refers to the possibility that the frequency or severity of claims arising from insurance products exceeding the levels assumed when the products were priced.

We utilise several benchmarks, including VNB and VNB margins, to assess the pricing adequacy of a new product and the ongoing appropriateness of an existing product.

The lapse risk includes the potential financial loss incurred due to early termination of policies or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. To reduce our expose to lapse risk, we carry out regular reviews of persistency experience, and the results are reflected in new product pricing and in-force product management. In addition, many of our products include surrender charges that entitle us to additional fees upon early termination by policyholders.

We seek to mitigate claims risk by conducting regular reviews of mortality and morbidity experience and reflecting this experience in new product pricing. We also manage claims risk by adhering to our underwriting and claims management policies and procedures. Finally, we use reinsurance solutions to help reduce concentration and volatility risk, especially with large policies or new risks, and as a protection against catastrophes.

Operational Risks

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, personnel and systems or from external events. Our businesses depend on the accurate and efficient processing and reporting of a high volume of complex transactions across numerous and diverse products and services. Any weakness in these internal processes, systems or security could have an adverse effect on our results and on our ability to deliver appropriate service to customers during the affected period. Key operational risks include risks relating to information technology, cyber and information security, business continuity and fraud. Compliance risks, which are the risks of non-compliance with regulatory requirements, are also part of the operational risks. Key compliance risks include risks relating to regulatory compliance, conduct risk (including mis-selling), anti-money laundering and counter terrorist financing, sanctions, anti-bribery and corruption and privacy. We have low tolerance for operational risks and have established robust processes and procedures to control operational risks by identifying, assessing, monitoring and developing strategies to mitigate these risks.

We have established a strong data governance framework to ensure data privacy protection and information security. We began implementing our data governance framework in 2019 and have adopted the framework in Hong Kong, Thailand, Japan, the Philippines, Vietnam, Indonesia, Singapore and Malaysia. Under this framework, we developed our AI and machine learning models in-house and adopted a well-established process to test and monitor these models and validate their results on a continuous basis. Our data governance framework is aligned with the six measures proposed by the International Organisation of Securities Commission in its consultation report on "The Use of Artificial Intelligence and Machine Learning by Market Intermediaries and Asset Managers" published in June 2020.

Financial risks

We are exposed to a range of financial risks, including interest rate risk, liquidity risk, credit risk, equity price risk and market risk. For details, see "*Financial Information – Factors and Trends Affecting our Results of Operations – Fluctuations in market interest rates, credit risk and equity markets*".

Transactions within the Group

Intra-group transactions are overseen by the relevant Group Office functions to ensure adherence with the relevant Group policies. The Group oversees the processes to identify and assess material systematic intra-group transaction risks, and ensure risks assumed are within the Group's Risk Management Framework. During the Track Record Period, material intra-group transactions are related to reinsurance, intra-group dividends, loans, recharges, funding and bonds.

RESERVES

For all of our product lines, we establish, and carry as liabilities, actuarially determined amounts to meet our future obligations under our insurance policies. In accordance with IFRS, our reserves for financial reporting purposes are based on commonly applied actuarial methodologies for estimating future policy benefits and claims. We expect these reserve amounts, along with future payments on policies and contracts, and investment earnings on these amounts, to be sufficient to meet our insurance policy and contract obligations. The amount of our consolidated insurance contract liabilities as of 31 March 2022 was US$48,607 million.

We establish the liabilities for future policy benefits and claims based on assumptions that are uncertain when made. Our assumptions include mortality, morbidity, policyholder persistency, administrative expenses, investment returns and inflation. Our actual experience may be different from our assumptions, and as a result, we cannot determine precisely the amounts that we will ultimately pay to settle these liabilities or the timing of these payments. These amounts may vary from the estimated amounts, particularly when these payments do not occur until well into the future. We evaluate our liabilities periodically, based on changes in the assumptions used to establish the liabilities, as well as our actual policy benefits and claims experience.

REINSURANCE

We reinsure a portion of the risks that we assume under our insurance products to multiple international and local reinsurers to manage our insurance risk, maintain our capital position within our risk appetite limits and leverage the reinsurers' knowledge for our product development. To reduce our reinsurance concentration risk, we use various leading international and local reinsurers. We select our reinsurers based on their financial strength, service, terms of coverage, claims settlement efficiency and price. We usually consider at least three reputable reinsurers during the selection process and take into account local regulatory requirements. We review our reinsurance arrangements periodically and regularly monitor the financial strength and credit rating of our reinsurers and our concentration risks to ensure we do not have excess risk exposure to any particular reinsurer.

We have established a reinsurance management framework that sets out the principles and requirements of our reinsurance management. We tailor our reinsurance strategy to our products and the geographical markets in which we operate. We determine our retention limit and participation ratio based on the insurance laws and regulations of the relevant geographical market, our solvency margin, the characteristics of our products as well as our business needs and strategies. Examples of such external reinsurance arrangements which have been adopted by us include individual surplus reinsurance, quota share reinsurance, catastrophe covers and financial reinsurance.

As part of our overall reinsurance strategy, we have entered into various arm's length arrangements with Swiss Re, the intermediate parent company of one of our shareholders, Swiss Re PICA, to reinsure certain products. Under these arrangements, Swiss Re has undertaken to reinsure a portion of the risks undertaken by us. As consideration for undertaking a portion of the risk, we pay reinsurance risk premiums to Swiss Re on a periodic basis under the terms of these arrangements.

In addition to using external reinsurers, we have also established FWD Reinsurance, a Cayman incorporated captive reinsurance company, for capital optimisation and margin enhancement. Our reinsurance with FWD Reinsurance is arranged through a rated third-party reinsurer to demonstrate arm's length pricing.

INSURANCE

We maintain insurance for our employees and insurance against defined incidental loss or damage to our owned self-use properties in accordance with applicable laws. Our Directors are of the view that we have maintained insurance coverage to suit such defined purposes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Our first group-wide ESG strategy for 2021 – 2024 (the "**Group ESG Strategy**") represents the beginning of our journey to understand and prioritise the ESG issues that are most important to those impacted by our decisions. We want to play our part in bringing about a better and more sustainable future.

Our ESG Goals

We support the United Nations' Sustainable Development Goals (the "**SDGs**"). Our Group ESG Strategy aligns with seven SDGs, covering areas where we can make the greatest contribution: SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action).

We measure and disclose our ESG performance referencing international best practices, such as the Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures, and Principles for Responsible Investment ("**PRI**").

Our ESG Value-Creation

Our ESG strategy intends to create value in the following aspects:

- *Governance and risk management*. We aim to strengthen our culture of integrity and our robust risk management framework to ensure that we are doing the right things in the right way. We are making our business stronger and more resilient through ensuring robust and transparent decision-making and incorporating material ESG factors into risk management;

- *Trust.* We aim to build customers' trust in us and the insurance industry. With 98% of our employees having completed the annual Treating Customers Fairly training in 2021, we offer a seamless customer journey that is designed and evaluated through the eyes of our customers. We deliver the protection that our customers need through simpler and more inclusive products and create ways for customers to stay engaged with us, while ensuring responsible use of their data;

- *Talent.* We aim to attract, develop and retain people who will change the insurance industry. We are fostering a vibrant workplace culture through inclusive leadership, promoting diversity of talent and increasing business resilience through flexible working. During the COVID-19 pandemic, in certain markets, all of our employees were working from home. We have adopted a board diversity policy, which aims to enhance the effectiveness of our board and our corporate governance standards by ensuring diversity. As of June 2022, women make up 27% of our board and 32% of our assistant vice presidents or above;

- *Closing the protection gap.* We are committed to making a real impact on financial inclusion. We focus on younger customers in Asia who have traditionally been underserved by making our products accessible and attractive to them. We are educating people to help increase their financial literacy levels and become their life-time partner as they go through their life stages;

- *Sustainable investment.* We are a signatory to the PRI and aim to incorporate ESG factors into our investment process to ensure the long-term sustainability of our investments. We also invest in our local communities to support their sustainable development. With the help of our community partners, we are advocating for better inclusivity and life opportunities for people with disabilities in Asia. We partnered with a leading social enterprise in Malaysia to develop Fun(d) for Life, a financial literacy programme that supported over 4,000 individuals in 2021; and

- *Climate change resilience.* We support the transition towards a low carbon economy through alignment with the Task Force on Climate-related Financial Disclosures. We are conducting scenario analysis to understand our climate-related risks and opportunities.

Our ESG Governance

As part of our overall business strategy, we aim to ensure a close alignment of our ESG function with our business goals and ensure we allocate sufficient resources to our ESG functions, including establishing an ESG management committee in January 2020 to achieve this. The ESG management committee is chaired directly by Mr. Huynh, our CEO and executive director, and comprises of senior managers from across the business. This ESG management committee is responsible for establishing our ESG goals and strategy, evaluating our performance and responding to emerging ESG risks and opportunities. This ESG management committee reports our various initiatives and progress to our board at least twice a year.

COVID-19 Response

We have been supporting our communities in their fight against the COVID-19 pandemic. In addition to making relief donations to frontline health workers and government agencies, we partnered with local merchants in Hong Kong to provide free COVID-19 protection to underserved communities such as delivery workers. We also reformulated some of our products in light of the difficulties faced by our customers. For example, we extended the coverage and benefits of certain products in Hong Kong and Malaysia to include COVID-19 and launched products specifically designed for COVID-19 in the Philippines and Singapore. In addition, we offered additional financial support across the markets in which we operate to our customers who were fighting the disease and made sure the claims process was easy for them by prioritising their requests.

Competition

In general, the insurance industry is highly competitive. Insurers compete based on a number of factors, including distribution reach, brand recognition, marketing methods, products, pricing, customer service, financial strength ratings and other indices of financial health. We believe that we are well positioned to compete with both established players as well as new entrants and to continue increasing our market share by leveraging our customer-led and digitally-enabled strategy and our ability to quickly adapt to changes in market trends and the regulatory environment.

Leading market participants in the insurance industry are primarily either regional or multi-national insurance companies, local entities or subsidiaries of banks and other financial institutions. Subsidiaries of European and North American life insurance groups that operate in Asia tend to operate in many of the major markets in the region, and some currently have top ten market shares in a few major markets. Many local domestic life insurers in Asia remain primarily focused on their home market. We face strong competition in the markets in which we operate. In Hong Kong, we face competition from established regional players including local subsidiaries of large insurance groups and new entrants such as digital insurers. In Thailand, we face competition from local branches of international insurance groups and local insurance companies. In Japan, we face competition from domestic insurance companies and large domestic financial service providers that either have their own insurance subsidiaries or enter into co-operative arrangements with major insurance companies. In our Emerging Markets, we face competition from regional players, especially those with a strong locally established presence and customer reach. For more information, see "*Industry Overview*."

Awards and Recognitions

We have received numerous awards and recognitions which reflect our renowned industry achievements. The tables below set forth some major awards and recognitions we have received:

Selected business awards

Year	Award/Recognition	Issuing Body
2021	Online Initiative of the Year	Asia FinTech Awards
2021	Core Insurance Transformation (Bronze Award)	European Financial Management Association and Accenture
2021	Outstanding Use of Digital Channels for Improved Customer Experience	The Digital Banker
2021	Best Use of AI for Customer Experience (Highly Acclaimed)	The Digital Banker
2021	Best Solution for Distribution	DigFin Innovation Awards
2021	Best Client Communication Initiative	WatersTechnology Asia Awards

Selected insurtech and innovation awards

Year	Award/Recognition	Issuing Body
2022	Best Cloud Migration Project	WatersTechnology
2022	Best Alternative Data Initiative	WatersTechnology
2022	Special Award for Data, Analytics and AI	International Data Corporation
2021	Asia's Most Innovative Insurer	International Data Corporation
2021	Insurtech Initiative of Year	Insurance Asia News
2021	Analytics Provider of the Year	Insurance Asia News
2021	Future Enterprise of the Year	International Data Corporation
2020	Outstanding Award in the Innovative Product Category	Bloomberg
2020	Most Innovative Insurance Process Asia	Global Banking & Finance Awards

Intellectual Property

The protection of our technology and intellectual property is an important aspect of our business. As of the Latest Practicable Date, we owned 27 registered trademarks, including eight trademarks and eleven domain names which are material to our business. Intellectual property laws, procedures and restrictions provide only limited protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated.

Regulatory Licenses

We need to maintain valid relevant insurance licenses in each market to operate our businesses. We are subject to extensive oversight and comprehensive regulations by the relevant regulators in each market we operate in. In addition, we also need to obtain prior authorisation from respective regulators for the sale of new insurance products or key changes in the terms of our products. Please see "*Risk Factors – Risks Relating to Legal and Regulatory Matters – We and our Business Units are subject to extensive regulation as insurance companies, including monitoring and inspection of our financial soundness, which may restrict our business activities and investments and increase our cost of complying with such regulations*."

During the Track Record Period and up to the Latest Practicable Date, we have obtained all material licenses, approvals and permits from the relevant government authorities necessary for the operation of our business in the jurisdictions in which we operate, and such licenses, approvals and permits remain valid and in force. We have not experienced any refusal of the renewal application of any material licenses, approvals and permits necessary for the operation of our business. Details of our material licenses and permits are as follows:

License/Permit	Holder/Jurisdiction	Grant Date/ Expiration Date	Description of License/Permit
Life insurance	FWD Life (Bermuda)/ Hong Kong	1984/N/A	Long term insurance business
Life insurance	FWD Life (Bermuda)/ Bermuda	28 December 2011/N/A	Long term insurance business
Life insurance	FWD Life (Hong Kong)/ Hong Kong	27 May 2002/N/A	Long term insurance business
Life insurance	FWD Life Assurance (Hong Kong)/ Hong Kong	23 September 1983/N/A	Long term insurance business
Life insurance	FWD Life (Macau)/ Macau	22 March 1999/N/A	Life insurance business
Life insurance	FWD Life Japan/ Japan	27 August 1996/ N/A	Life insurance business
Life insurance	FWD Thailand/ Thailand	14 May 2021	Life insurance business
Life insurance business permit	FWD Indonesia/ Indonesia	24 June 2020/ N/A	Life insurance business
Family takaful	FWD Takaful/ Malaysia	3 July 2018/N/A	Family takaful business
Life insurance	FWD Vietnam/Vietnam	23 November 2007/ 23 November 2057	Life insurance business (including accident and health insurance business)

License/Permit	Holder/Jurisdiction	Grant Date/ Expiration Date	Description of License/Permit
Life insurance	FWD Assurance (Vietnam)[(1)]/Vietnam	23 October 2008/ 23 October 2033	Life insurance business (including accident and health insurance business)
Direct insurer (composite)	FWD Singapore/ Singapore	19 April 2016/N/A	Direct insurer to carry on life and general business
Certificate of authority	FWD Philippines/ Philippines	1 January 2022/ 31 December 2024	Life insurance business
Class B (iii) license	FWD Reinsurance/ Cayman Islands	6 April 2017/N/A	Insurance business
Life insurance	FWD Cambodia/ Cambodia	27 June 2021/ 26 June 2024	Life insurance business

Note:

(1) In March 2022 we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.

Employees

As of 31 December 2019, 2020 and 2021 and 31 March 2022, we had 6,217, 6,407, 6,675 and 6,824 full-time employees, respectively, and 72, 20, 7 and 33 temporary employees, respectively. The following table sets out a breakdown of our full-time employees by Business Unit as of 31 March 2022:

	Full-time Employees
Hong Kong (and Macau)[(1)]	1,058
Thailand (and Cambodia)	1,997
Japan	857
Emerging Markets	2,195
Group Office[(2)]	422
Shared services and Innovation Hub[(3)]	295
Total	**6,824**

Notes:

(1) Includes non-shared services full-time employees from FWD Life (Bermuda), FWD Life (Hong Kong), FWD Life Assurance (Hong Kong), Macau and China representative office.

(2) Includes non-shared services full-time employees from FWD Group Financial Services, FWD Group Management and Valdimir.

(3) Includes shared services full-time employees from FWD China Technology Company, FWD Life (Bermuda) and Valdimir, and all employees from FWD Technology and Innovation Malaysia Sdn. Bhd, an innovation hub in Malaysia.

The following table sets out a breakdown of our full-time employees by function as of 31 March 2022:

	Full-time Employees
Sales, Branding and Marketing	2,367
Technology, Digital and Data Analytics	1,421
Group Operations	826
Finance, Actuarial and Investments	790
Corporate Governance[1]	215
Product Development	223
Strategy	114
Human Resources	150
Group Executive Management	107
Others	611
Total	**6,824**

Note:

(1) Includes legal, compliance, risk and audit functions.

As of 31 March 2022, we had four staff in Malaysia who were contracted through employment agents. The employment agents bear the relevant costs of wages and statutory contributions for these staff and we are responsible for paying services fees to these employment agents. These staff were not contracted directly by us since we could not employ foreigners directly in Malaysia because we had not acquired the Multimedia Super Corridor Status. We intend to enter into employment contracts with these staff once we obtain the Multimedia Super Corridor Status in Malaysia.

Other than our employees in Japan, none of our other employees are subject to any collective bargaining agreements or represented by a union. We believe we have good employment relationships with our employees and have not experienced any interruptions of operations due to labour disagreements as of the Latest Practicable Date.

Executive Remuneration Policy

The remuneration of our senior employees is designed to provide equitable and competitive incentive to align with Shareholders' interest and foster the long-term sustainable growth of the business within overall risk management framework. The remuneration mainly comprises base salary and variable remuneration including short-term and long-term incentives. The table below summarises the remuneration elements for the Track Record Period and 2022.

Element	Purpose	Coverage and frequency
Annual Base Salary	Recognises the daily contribution of our people and the skills, experience and knowledge they bring to our Group	All employees and paid monthly
Short-term incentives	Recognises the annual performance of our people and allows us to collectively share and celebrate in our Group's short-term successes	All eligible permanent employees. Annual measurement and payment.
Long-term incentives	Share-based awards (in the form of RSUs and/or PSUs) granted to senior employees of our Group aligns them with the long-term goals of our Group and our Shareholders	Eligible senior employees by invitation. Measured and paid over no less than a three year period, depending on grade.
Allowances	Recognises specific skills or circumstances	Individual or role based entitlement and paid monthly

Variable remuneration opportunities are designed to motivate employees to deliver on key short-term and long-term objectives. The variable remunerations are linked to achievement of certain key performance indicators, with the respective weightings reflecting our business strategies with a focus on sustainable and value-focused growth. In particular, substantial weighting is afforded to VNB, which accounts for 30-35% of the incentive indicators for the Track Record Period. Depending on business and individual performance results, such incentives may result in award levels above or below target, reflecting superior performance and performance below expectations, respectively.

Short-term Incentive Plan

Our short-term incentive plan recognises the contribution of all permanent employees to our Group's short-term successes, and to incentivise the achievement of specific annual performance objectives that are aligned to our strategy. It also provides a means to reward the individual and collective performance of our employees.

For the Track Record Period, the performance measures used in the short-term incentive plan were as follows:

Performance Measures	Weighting	Description
VNB	35-40%	VNB is the main valuation driver for our Group at this stage of our development and therefore remains the most important metric in terms of weighting
Operating Profit Before Tax ("OBPT")	10-15%	OPBT growth is key to demonstrate progress and path towards profitability over the medium term
Expense management	0-20%	To promote disciplined expense management
New Business Strain ("NBS") as % of VNB	0-10%	NBS measures the capital consumption of our new business and is a key driver of cash flow over the medium term
Excess Embedded Value Growth ("EEVG")	0-10%	EEVG measures operating performance (expenses, persistency, and claim) against our actuarial assumptions and is critical to demonstrate the underlying cash flow generation of our in-force business
Strategic Metrics	30%	To drive medium term performance enhancement through key actions during the Track Record Period. As agreed by our Group Board every year

An individual's performance contribution is also considered when determining the amounts to be paid to the senior employees. The total value of short-term incentive awards that was paid to the senior management for the year ended 31 December 2021 is approximately US$9 million. In the three months ended 31 March 2022, no short-term incentive award was paid to the senior management.

During the Track Record Period, additional incentives were provided to reward the efforts required to achieve specific operational targets. For instance, key metrics relating to protection and propositions, customer journey transformation, quality distribution, neo-insurance and cloud adoption were considered in 2021 to determine the awards under the short-term incentive plan.

Long-term Incentive Plan

We offer a long-term share incentive plan to senior employees of the FWD Group in order to recognise our people who can influence, and contribute towards, the achievement of FWD's long-term goals and success and to drive retention of key talent. Eligible senior employees may receive an annual grant of either time-based or time-based and performance-based share awards, which vest over periods of either three or four years.

For the Track Record Period, the performance measures used in the long-term incentive plan were as follows:

Performance Measures	Weighting	Description
Cumulative VNB	30-45%	VNB is the main valuation driver for the FWD Group at this stage of our development and therefore remains the most important metric in terms of weighting
Cumulative Protection VNB	0-15%	Protection VNB, which is also an actuarial performance measure, measures the protection component of our total VNB and drives quality business mix
Cumulative OPBT/Improvement on Total Premiums and Operating Expenses	10-20%	OPBT growth is key to demonstrate progress and path towards profitability over the medium term. Improvement on total premiums and operating expenses is strategic initiative to achieve similar outcome as OPBT growth

Performance Measures	Weighting	Description
Cumulative NBS as % of VNB	0-10%	NBS measures the capital consumption of our new business and is a key driver of cash flow over the medium term
Cumulative EEVG or Embedded Value	10-35%	EEVG measures operating performance (expenses, persistency, and claim) against our actuarial assumptions and is critical to demonstrate the underlying cash flow generation of our in-force business. Embedded value measures the consolidated value of shareholders' interests in our in-force business.
Strategic and Organisational Health	0-30%	To drive long-term performance enhancement through critical strategic and organisational health metrics

In 2021, we granted 80,369 RSUs and 79,470 PSUs in respect of shares of FL and FGL under the 2021 long-term incentive plan. In the three months ended 31 March 2022, no RSUs and PSUs were granted in respect of shares of FL and FGL under the 2021 long-term incentive plan.

Properties

As of 31 March 2022, we operated our business primarily through leased premises. We lease various properties in the jurisdictions in which we operate and we primarily use our leased properties as office premises for our business operations. We are headquartered in Hong Kong, where we lease 15 properties covering a gross floor area of approximately 33,141 square meters.

As of 31 March 2022, each of our investment properties had a carrying amount of less than 1% of our consolidated total assets and none of our non-investment properties had a carrying amount of 15% or more of our consolidated total assets. Therefore, we are not required to include a property valuation report in this document.

Legal Proceedings

We are subject to routine legal proceedings in the normal course of operating our insurance business. We are not currently, and have not been during the 12 months preceding the date of this document, involved in any legal proceedings which reasonably could be expected to have a material adverse effect on our business, results of operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, we have not been, no member of our Group has been, and no director thereof has been, engaged in any litigation, claim or arbitration of material importance nor, to the best of the Directors' knowledge, is any litigation, claim or arbitration of material importance pending or threatened against us, any member of our Group or any Director. In addition, as of the Latest Practicable Date, none of us nor any of our Business Units or any Director was the subject of any actual, pending or threatened bankruptcy or receivership claims.

Legal Compliance

During the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse effect on our business or financial condition taken as a whole.

Prospective [**REDACTED**] *should read the following discussion and analysis in conjunction with the consolidated financial statements of FWD Group Holdings Limited (the "Group"), together with the accompanying notes set out in the Accountants' Report included in Appendix I to this document. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").* [**REDACTED**] *should read the whole of the Accountants' Report and not rely merely on the information contained in this section.*

The following discussion contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our fiscal year ended 31 December of that year.

Overview

We are a fast-growing Pan-Asian life insurer providing participating life, non-participating life, medical, unit-linked, group insurance and other life insurance products to our customers. Founded in 2013 with a presence in three markets, we now operate in ten markets that we group under the following reporting segments based on geography, which we also refer to as our Business Units:

- Hong Kong (and Macau);
- Thailand (and Cambodia);
- Japan; and
- Emerging Markets, which, for purposes of the reporting segments, we define to include the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

We entered several of these markets through acquisitions pursuant to a strategy to access some of the fastest growing life insurance markets in Asia with rapidly increasing GDP and personal disposable income, and expanding, demographically attractive but underinsured populations.

While we have benefited from growth through acquisitions, our underlying business has experienced substantial organic expansion in nearly all of our markets in terms of scale, new business growth and capital. We achieved 4.7 times APE growth and 5.6 times VNB growth between 2014, our first full year of operations, and the twelve months ended 31 December 2021. While the finance costs, short-term fluctuations in investment return related to equities and property investments and some non-operating or non-recurring items, which primarily consisted of an adjustment in relation to the novation of the distribution agreement with TMB and non-core business set up and separation costs in 2019 and 2020, contributed to our net loss position under IFRS in the years ended 31 December 2019 and 2020, we experienced substantial improvement in other indicators of profitability. Our Underlying VNB margin increased from 43.2% in 2019 to 48.5% in 2020, and the corresponding Underlying VNB increased by 12.4% on a CER basis (13.5% on an AER basis). Our Underlying VNB margin increased from 48.5% in 2020 to 50.0% in 2021, and the corresponding Underlying VNB increased by 25.7% on a CER basis (24.5% on an AER basis). Our VNB margin increased from 42.6% in the three months ended 31 March 2021 to 47.1% in the three months ended 31 March 2022. For more information on Underlying VNB, see "*– Key Performance Indicators – Growth and Value Creation – Value of new business ("VNB").*" Our segmental adjusted operating profit before tax (non-IFRS measure) increased by 154.1% on a CER basis (159.2% on an AER basis) from 2019 to 2020, 69.2% on a CER basis (63.5% on an AER basis) from 2020 to 2021 and 45.0% on a CER basis (33.1% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022.

We believe that our customer-led and digitally-enabled model provides us with a competitive advantage in the pursuit of the extensive growth opportunities in all our markets, particularly in Southeast Asia. We further expect that as we unwind value from our in-force business and reduce our expense base through economies of scale, we will be able to continue to grow, achieve higher margins and improve overall profitability.

For the discussion in this section, references to "we" or the "Group" are to FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) and its consolidated subsidiaries as a whole. Our discussion of our financial condition, results of operations and cash flows takes into account our strategic acquisitions and partnerships, unless otherwise specified.

Basis of Presentation

In advance of the [**REDACTED**], we undertook the Reorganisation and a series of financing transactions. Additionally, since 2019 we have made several strategic acquisitions and investments that have contributed to our business growth and our geographic expansion.

The consolidated financial statements may not be indicative of what our results of operations, financial condition and cash flows will be in the future. Set forth below are certain factors that prospective investors should note as they consider the financial and other information presented in this section.

Factors Affecting Comparability

Reorganisation and Financing

Our operating subsidiaries carry out businesses which span across Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia, and our subsidiaries were held under two intermediate holding companies, namely, FL and FGL. Prior to the [**REDACTED**], we undertook the Reorganisation and financing transactions to unify the ownership structure of the Group, with a view to enhancing its organisational efficiency and optimising its structure for the [**REDACTED**]. See "*History, Reorganisation and Corporate Structure – Reorganisation*" and Note 1.2.2 to the Accountants' Report included in Appendix I for more information.

For a discussion of the [**REDACTED**] Investments made in our Group, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments.*"

Acquisitions, Investments and Discontinued Businesses

Since 1 January 2019, we have made several strategic acquisitions and partnerships that have contributed significantly to our business growth and our geographic expansion. These acquired entities have been consolidated in our financial statements from their respective dates of acquisition as further described below.

On 22 March 2019, we completed the acquisition, for a total consideration of US$20 million, of 49.0% of the equity ownership interest in HSBC Amanah Takaful in Malaysia, which contributed 0.5% of our revenue in 2019 and constituted 0.7% of our net assets as of 31 December 2019. As we were the largest shareholder and had effective control of FWD Takaful, the financial condition, results of operations and cash flow of FWD Takaful were fully consolidated in our consolidated financial statements for the years ended 31 December 2019, 2020 and 2021.

On 26 September 2019, we completed the acquisition, for a total consideration of US$3,072 million, of 99.2% of the equity ownership interest in SCB Life in Thailand, which contributed 5.7% of our revenue in 2019 and constituted 46.9% of our net assets as of 31 December 2019. The total consideration also includes the access fee under the distribution agreement with SCB.

On 8 April 2020, we completed the acquisition, for a total consideration of US$414 million, of VCLI (subsequently rebranded as FWD Assurance (Vietnam)) in Vietnam, which contributed 0.2% of our revenue in 2020 and constituted 0.4% of our net assets as of 31 December 2020. The total consideration also includes the access fee under the distribution agreement with VCB.

On 4 June 2020, we completed the acquisition, for a total consideration of US$424 million, of PT Commonwealth Life in Indonesia, which contributed 1.5% of our revenue in 2020 and constituted 3.3% of our net assets as of 31 December 2020. The total consideration also includes the access fee under the distribution agreement with PTBC.

On 30 June 2020, we completed the acquisition, for a total consideration of US$344 million, of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in Hong Kong, which contributed 2.5% of our revenue in 2020 and constituted 4.0% of our net assets as of 31 December 2020.

On 9 December 2020, we completed the acquisition of 100% of the equity ownership interest in Bangkok Life Assurance (Cambodia) Plc. for a total consideration of US$4 million.

On 1 April 2020, we novated our exclusive distribution agreement with TMB to Prudential Life Assurance (Thailand) Public Company Limited with a transition period of nine months, which ended on 31 December 2020, for a total consideration of US$580 million. See Note 12 to the Accountants' Report included in Appendix I.

On 8 December 2020, we sold a subsidiary of our GI Disposal Group to a related party for a total consideration of US$77 million. In addition, on 3 February 2021, we disposed the remaining two subsidiaries of our GI Disposal Group to a related party for a consideration of US$32 million, which included US$14 million for the settlement of intercompany loans to the GI Disposal Group. The sales were made pursuant to a plan to sell GI Disposal Group formulated in March 2020. On 8 February 2021, we received US$30 million from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2018 and 2019 and US$14 million to settle the receivable for payments made on behalf of the GI Disposal Group in 2020. Please refer to Note 5.2 and Note 35 to the Accountants' Report included in Appendix I for more details.

On 1 February 2021, we completed the disposal of our pension business for a net consideration of US$10 million. See Note 5.2 to the Accountants' Report included in Appendix I for more details.

On 2 March 2021, we completed the subscription of a minority stake in BRI Life in Indonesia for a consideration of US$273 million. Concurrently with our subscription, BRI Life entered into a long-term distribution partnership with Bank BRI. See Note 13 to the Accountants' Report included in Appendix I. Subsequently on 2 March 2022, we subscribed for additional shares in BRI Life for a consideration of US$54 million.

On 21 March 2022, we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors for a total consideration of US$40 million. See Note 5.3 to the Accountants' Report included in Appendix I for more details.

In addition, since 1 January 2019, we have made other strategic acquisitions and investments, and agreed to sell certain businesses which are classified as discontinued operations in the consolidated financial statements. These acquisitions, investments and discontinued operations are, individually and in the aggregate, immaterial to our financial condition and results of operations.

Factors and Trends Affecting our Results of Operations

Our financial condition and results of operations, as well as the comparability of our results of operations between periods, have been affected and will continue to be affected by a number of factors, including the following.

Acquisitions and investments. We have made several strategic acquisitions that have contributed significantly to our business growth and our geographic expansion. See "*– Factors Affecting Comparability – Acquisitions, Investments and Discontinued Businesses.*" Due to the proportion of our in-force business that has arisen through acquisitions, our results of operations are significantly impacted by the amortisation of VOBA, one-off costs of integration activities and the costs of servicing debt incurred to finance our acquisitions, which are not necessarily indicative of the underlying operational performance of our operating segments. We have also recorded goodwill and other intangible assets as a result of such acquisitions and investments. See Note 5.1 to the Accountants' Report included in Appendix I. We plan to continue to grow and strengthen our market position as a Pan-Asian insurer through both organic growth and strategic acquisitions across Asia.

Economic, political and social conditions, demographic trends and consumer behaviour. Our business is inherently subject to general economic, political and social conditions, market fluctuations, consumer behaviour and demographic changes in each of the markets in which we operate. Some of these factors were exacerbated in 2020, 2021 and the three months ended 31 March 2022 with the onset and spread of the COVID-19 pandemic and the policies and restrictions implemented by governments across our markets to deter the spread of the disease. These policies have caused substantial disruptions to, and generally reduced the levels of consumption and commercial activities in, all of our key markets. Specific factors that have affected, and continue to affect, our Business Units include:

- in Hong Kong (and Macau), the social unrest that began in 2019 in Hong Kong as well as the COVID-19 pandemic and associated government measures such as border controls and mandatory quarantine requirements since 2020 have led to a decline in sales of our insurance products to and payment of renewal premiums by offshore policyholders, in particular, visitors from mainland China. In response to the adverse impacts of the COVID-19 pandemic, we have offered customers extended grace periods for premium payment and actively approached lapsed policyholders to encourage reinstatement;

- in Thailand (and Cambodia), in addition to the impact of the COVID-19 pandemic on the general economy, political events and policy changes have continued to impact our business operations; the effects of these factors on our overall financial condition and results of operations have been moderated by the gradual termination of our relationship with TMB and the acquisition of SCB Life and the resulting expansion in the scale of our operations in Thailand;

- in Japan, the changes announced by the tax authority in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) resulted in a material and adverse impact on our sales of such products in Japan; as a result, we have had to significantly adjust our product mix, including shifting our focus to individual medical insurance; in addition, we experienced lower customer persistency in the second quarter of 2020, primarily due to the COVID-19 pandemic; and

- in Emerging Markets, which includes the Philippines, Indonesia, Singapore, Vietnam and Malaysia, growing health and protection awareness is expected to increase per capita spending on insurance and mitigate the slowdown induced by the COVID-19 pandemic and other recent macroeconomic pressures.

Across the markets in which we operate, volatility in the financial markets may affect general levels of economic activity, employment and customer behaviour. For example, there may be an elevated incidence of claims, lapses or surrenders of policies, and our policyholders may choose to defer or stop paying insurance premiums. We delivered a strong performance in 2021 during which our Underlying VNB grew by 25.7% on a CER basis (24.5% on an AER basis) compared to 2020 as well as in the three months ended 31 March 2022 during which our VNB increased by 17.5% on a CER basis (11.0% on an AER basis) compared to the three months ended 31 March 2021, against a challenged economic environment due to the COVID-19 pandemic. However, as the impact of the COVID-19 pandemic continues, especially the outbreak of the Delta variant and subsequently the Omicron variant and the restrictions implemented by the governments to contain the spread of the disease (mainly from the second half of 2021, with restrictions increasing in some countries in the third quarter), our new business sales have been, and may if the restrictions persist, continue to be impacted, which may adversely affect our results of operations in the short term. However, we believe that the roll-out of vaccination programmes and re-opening of borders should facilitate a gradual return to normalcy, which in turn would benefit our operations in the long term along with our compelling customer propositions and our multi-channel distribution. We are generally able to promptly identify and offset the effects of adverse economic changes or a decline in consumer confidence in a particular market by operating in a number of different geographies within Asia and by offering a wide range of insurance products targeting different customer segments and introducing new products in response to changes in customer needs. However, difficult macroeconomic conditions could reduce demand for our products and services, and reduce the returns from, or give rise to defaults or losses in, our investment portfolio.

Insurance and investment product markets are also constantly evolving alongside shifts in customer preferences and demographic changes. See "*Industry Overview – The Asia life insurance industry continues to exhibit robust growth driven by structural and macroeconomic factors – Market Size and growth.*" In order to remain competitive, we must respond to such changes in a timely manner, grow our business and maintain market share. Changes in customer preferences and population demographics in the jurisdictions in which we operate may have a material impact on our results and operations and require us to adopt significant changes to our strategies and business plan. If these trends continue, or other similar demographic changes occur in any of the jurisdictions in which we operate, we may face reduced demand for our life insurance products, the scale of our insurance business may diminish, and our financial condition and results of operations may be materially and adversely affected.

Product portfolio and multi-channel distribution. We maintain a diversified product portfolio and distribute our products through multiple channels to address the needs of a broad segment of customers in different life stages. Our product portfolio includes participating life, non-participating life, unit-linked, group insurance, COLI and other products. In 2019, 2020 and 2021 and the three months ended 31 March 2022, we have gradually shifted our focus to offering more protection products to better serve the needs of our customers and enhance our profitability. See "*Business – Our Products – Life insurance products*." We distribute our products through bancassurance, agency, brokerage/IFA and other channels to reduce dependency on any single distribution channel. Our ability to maintain a diverse product portfolio and a balanced multi-channel distribution network, as well as how quickly we are able to market new products and adapt our distribution network to reach our target markets, will impact the extent to which we can create business value and respond to rapidly changing market needs.

Customers' claims experience. Our financial results are affected by our customers' claims experience, which may be different from the assumptions that we would have made when we designed and priced the products and when we calculate our insurance contract liabilities. Claims experience varies over time and with product, and may be impacted by specific events and changes in macroeconomic environment, demographics, mortality, morbidity and other factors. In 2019 and 2020, we implemented a series of initiatives to reduce claims exclusions and shorten the turnaround time for claims payments. See "*Business – Customers – Transforming the Customer Journey*." While we believe that these measures will improve customer experience and the attractiveness of our products, actual claims experience and policy benefits will differ by customer, and any failure to achieve our intended results may adversely impact our results of operations and growth prospects.

Expense Management. As is typical for a life insurance company, our major expense items include insurance and investment contract benefits which represent the claims and benefits we pay to our policyholders and, to a lesser extent, operating expenses, commission and commission-related expenses, finance costs and other expenses. As a relatively young insurance group, we recorded operating expense and commission variance of US$218 million, US$240 million, US$210 million and US$37 million, as outlined in the Actuarial Consultant's Report included in Appendix III, in 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively.

We have a history of expense overruns, which is typical for a life insurance company in the early growth stages. We monitor our expense overruns against our expense assumptions, which we set based on a long-term view of our expenditures and historical operating experience, including acquisition and maintenance activities by the reporting segments, and other product-related costs that drive up our spending. As we continue to expand the size of our business operations and further invest in technology, we expect to continue to realise economies of scale and synergies from our businesses and benefit from enhanced operational efficiencies to eliminate our expense overruns over time.

Investment portfolio performance. We invest the premiums and other income generated from our insurance company in accordance with the key investment objectives defined by our Risk Committee. As of 31 March 2022, our investment portfolio, excluding investments supporting investment linked contracts under which policyholders assume the investment risk, comprised US$43,735 million in investment assets (83.3% of which consisted of fixed income securities). Our results of operations, financial condition and future prospects are affected by the performance of our investment portfolio and our ability to generate a significant level of return from our investments. Market conditions can significantly impact our results and lead to substantial changes from period to period. For example, although we have historically recorded net losses and expect to continue to do so in the future as we continue to grow our business scale and presence and incur related costs, in 2021, we recorded net profit of US$249 million mainly due to gains on investment returns resulting from short-term fluctuations in investment returns related to equities and property investments and net foreign exchange gains. Our investments' liquidity is affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. There may not be a liquid trading market for some of our investments. Additionally, if we are required to dispose of illiquid assets at short notice, for example to meet policyholder obligations, we could be forced to sell such assets at prices significantly lower than the prices we paid for them. As most of our investments consist of fixed-income securities, we are also exposed to credit risks, in particular the risk that the issuers of such securities may not be able to fulfil their obligations to make their scheduled interest or principal payments.

As of 31 March 2022, 94.4% of our fixed income investment portfolio was rated investment grade, including government bonds and corporate bonds. We had a moderate portion of investments rated below investment grade, primarily because Thailand, the Philippines and Indonesia all have international sovereign debt ratings of BBB by S&P and, as a result, most corporate bonds issued in these markets are below investment grade on an international rating scale. We intend to continue to include certain non-investment grade securities in our investment portfolio if we find such investment opportunities attractive and appropriate.

In general, the investment risk in respect of investments held to back unit-linked contracts is borne by holders of our unit-linked insurance products, such as variable universal life insurance products, whereas the investment risk associated with investments held by participating funds is shared between our policyholders and our shareholders. The investment risk in respect of non-participating products is borne by our shareholders.

Fluctuations in market interest rates, credit risk and equity markets. Our investment portfolio primarily consists of fixed income investments. As a result, our profitability is affected by changes in market interest rates that impact the level and timing of gains and losses that we make on our fixed income investments. Hong Kong, Thailand and Japan are the markets in which we have the most interest rate exposure through our fixed income investments. After a prolonged period of low interest rates historically in all of these jurisdictions, interest rates are currently rising which will result in higher fixed interest income. If market interest rates decline, we may generate less income from our fixed income investments. As instruments in our investment portfolio mature, we may have to reinvest the proceeds from such maturing investments, which were generally purchased in environments where interest rates were higher than current levels, in new investments that bear lower yields. Although the current environment of rising interest rates could increase our investment income from our fixed income investments, a high interest rate environment may also reduce the market value of these instruments. In addition, higher interest rates could result in increased surrenders and withdrawals of insurance policies and contracts as our policyholders seek other investments with higher perceived returns. This may result in significant cash outflows and may require us to sell our investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates.

We are also exposed to interest rate risks through certain long-term life insurance policies we underwrite that guarantee a minimum interest or crediting rate to our policyholders established when such products are initially priced. These products expose us to the risk that changes in interest rates may reduce our spread, represented by the difference between the interest rates we are required to pay under such policies and the rate of return we are able to earn on investments supporting our insurance obligations. A reduction in our spread could adversely affect our solvency position in some jurisdictions and our ability to pay our insurance obligations. Our financial condition and results of operations could also be adversely affected if the rate of return on our investments falls below the minimum interest rates we guarantee under those insurance products. See "*Risk Factors – Interest rate declines could reduce our yield on investments, adversely affecting our liquidity and cash flows*". To minimise our exposure to interest rate and other market risks and in accordance with our strategy to focus on protection, we had gradually increased the contribution of protection products to our overall sales, which increases our protection ratio from approximately 44% in 2019 to approximately 52% in 2021 and to 48% in the three months ended 31 March 2022.

Fluctuations in equity markets may affect our investment returns and the sale of our unit-linked and universal life insurance products. In particular, in 2020, 2021 and the three months ended 31 March 2022, the COVID-19 outbreak and Russia's invasion of Ukraine in February 2022 have significantly impacted the proper functioning of financial and capital markets, leading to volatility in the global credit and equity markets as well as the value of our investments. Equity securities only comprised 13.7% of our investment portfolio as of 31 March 2022.

Sales of unit-linked insurance products typically decline in periods of protracted or steep declines in equity markets and increase in periods of rising equity markets. In particular, customers may be reluctant to commit to new unit-linked products in times of uncertainty or market volatility, although some customers with regular premium paying policies may choose to maintain their payments of regular premiums as markets decline, following a strategy of dollar cost averaging. Surrenders, premium holidays and withdrawals may increase at times of declining equity markets. In addition, lower investment returns for our unit-linked insurance products would also have a secondary impact on the asset management and other fees we earn, some of which are based on the account balance of these contracts.

Fluctuations in foreign exchange rates. We currently operate in multiple geographic markets in Asia, including Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Our most significant foreign currency exposure is to the Thai Baht, the Hong Kong Dollar and the Japanese Yen, details of which are set out in Note 31 to the Accountants' Report included in Appendix I. We do not currently hedge our revenues or our net equity position in any of our operating subsidiaries. The effect of exchange rate fluctuations on our local operating results in the markets we operate in could lead to significant fluctuations in our consolidated financial statements upon translation of the results into US dollars. We seek to limit our exposure to foreign exchange rate risk by ensuring that our financial assets are predominantly denominated in the same currencies (or in the case of Hong Kong, US dollars) as our insurance liabilities in each of our geographic markets.

Regulatory environment. Our business is subject to extensive regulations and oversight by various insurance regulators and other regulatory bodies. The primary purpose of insurance laws and regulations is to protect insurance policyholders, not debtholders or shareholders. Certain of the regulations that we are subject to impose limits on the types of investments that we may make and require us to maintain specified reserves and minimum solvency margin ratios. See "*Regulatory Overview and Taxation*," "*Risk Factors – Risks Relating to Legal and Regulatory Matters – We may face challenges in adapting to group-wide supervision under the GWS framework*" and "*Risk Factors – Risks Relating to Credit, Counterparties and Investments – New solvency standards may affect our capital position*."

In 2019, the Food and Health Bureau launched VHIS in Hong Kong with the goal of creating minimum standards for certified individual medical insurance plans and providing consumers with greater transparency and tax benefits. We are one of the registered providers under VHIS. Since VHIS offers an alternative to the existing medical insurance products, it may result in a decrease in persistency and is expected to continue to have an impact on our operations in Hong Kong in the near term as customers may elect to surrender existing medical policies to buy products under VHIS either from us or another provider.

Until recently, the HKIA supervised certain international insurance groups, including us, through written undertakings provided by these insurance groups. The GWS framework, which came into force on 29 March 2021, empowers the HKIA to (i) designate an insurance holding company to ensure the insurance group's compliance with GWS's capital requirements, (ii) apply risk management and governance measures across the insurance group, including a requirement to carry out economic capital assessments and risk and solvency assessments, and (iii) set out disclosure requirements that cover risk and governance matters in relation to its insurance group. We have been subject to GWS since 14 May 2021 and we are materially through the transition plan agreed with the HKIA, having submitted first versions of all our required regulatory reports. These reports and assessments will continue to evolve in line with the terms and conditions set out in the transition agreement. On 28 December 2021, the HKIA published a circular regarding early adoption of aspects of "Pillar 1" of the RBC regime, which will involve the HKIA exercising its powers (i) pursuant to section 130(1) of the IO to relax the Insurance (Determination of Long Term Liabilities) Rules (Chapter 41E of the Laws of Hong Kong) in their application to an authorised insurer and (ii) pursuant to section 17(2) of the IO to modify or vary the requirements of Schedule 3 to the IO (on accounts and statements) in their application to an authorised insurer to align these requirements with the forthcoming RBC regime. Approval was granted for early adoption by FWD Life (Bermuda) on 30 June 2022. Subsequently, the Group has also filed an application for early adoption of the RBC regime by FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong). See "*– Solvency and Capital*" and "*Regulatory Overview and Taxation*."

Our efforts to comply with the evolving regulations across the many jurisdictions we operate in may lead to increased operating and administrative expenses. Additionally, we may need to obtain prior authorisation from our regulators before selling new insurance products or making changes in the terms of products we sell in particular jurisdictions. Delays in obtaining such approvals may have an adverse impact on our ability to grow our business and expand the range of products we are able to offer to our customers.

Other regulations may limit our ability to engage in certain investment activities, which may restrict our ability to diversify investment risks and enhance the profitability of our investment portfolio.

Competition. We face significant competition in each of the jurisdictions in which we operate. In particular the life insurance markets in Hong Kong and Southeast Asia are dominated by a relatively small number of large insurers, some of which have greater financial resources and economies of scale than us. In Japan, we face competition from both domestic and foreign-owned life insurance companies and from large domestic financial services providers that either have their own insurance subsidiaries or have entered into cooperation arrangements with major insurance companies. We also face competition from banks and other financial institutions that directly own insurance companies and from smaller insurance companies that may develop a strong position in various market segments in which we operate. Competition may negatively affect our business, financial condition and results of operations by reducing our market share in the jurisdictions in which we operate, decreasing our margins and reducing the growth of our customer base. We seek to differentiate ourselves from our competitors by tailoring our products and services to the needs of fast-growing markets and population segments. However, there is no guarantee that we will be able to compete with our competitors to retain and attract new customers.

Key Performance Indicators

In addition to the information contained in the consolidated financial statements, we have defined and presented below various key performance indicators that we rely upon to evaluate, and in our view provide an alternative measure with which to monitor, our economic, financial and operating performance, and which we use to monitor the underlying performance of the Group and its business and operations, identify trends in our business, and make strategic decisions, including setting performance goals for our executives and senior employees, and being a basis of our compensation programme. These measures are not meant to be predictive of future results.

Our key performance indicators measure the scale, growth, profitability and capital of our business. Group EV, EV equity, VNB, VNB margin, EV operating profit, operating ROEV and adjusted net UFSG, are actuarially determined estimates that rely upon certain assumptions and estimates made by management. See the Actuarial Consultant's Report set forth in Appendix III to this document for details of actuarial estimates and assumptions. These indicators may not be comparable to other similarly titled measures of other life insurers or companies, since they are not uniformly defined or calculated, have limitations as analytical tools and should not be considered in isolation, or as alternatives or substitutes for analysis, of our operating results reported under IFRS. Accordingly, you should exercise caution in comparing these measures as reported by us to those of other life insurance companies.

As we discuss in greater detail when defining each measure below, we believe that these measures are useful to investors in evaluating our performance. However, APE is an operational performance measure while Group EV, EV equity, VNB, VNB margin, EV operating profit, operating ROEV and adjusted net UFSG are actuarial performance measures and are not indicators recognised under IFRS. You should not consider them as alternatives to financial measures and ratios reported under IFRS. Also, since these are actuarially determined metrics and performance measures, there is no equivalent IFRS measure. Further, as we describe below, TWPI and adjusted net profit/loss are non-IFRS measures and reconciliation of the same is provided in Notes 6.4 and 6.3, respectively, to the Accountants' Report included in Appendix I. In addition, you should take into account, unless otherwise stated, that these measures reflect the impact of the acquisitions we have made during the periods covered in this document. The following pages define our key performance indicators, including the usefulness to investors of each of them.

Growth and Value Creation

- *Annualised premium equivalent ("APE")*. APE is an operational performance measure and consists of the sum of 10% of single premiums and 100% of annualised first year premiums for all new policies, before reinsurance ceded. Consistent with the customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. APE provides an indicative volume measure of new policies issued in the relevant period and thereby an indicator of how much new business sales we are able to generate in any period. For our takaful business, APE refers to annualised contribution equivalent. Further, since APE is an operational performance measure for our new business, we also mention the growth rates on a CER basis in addition to an actual exchange rate ("**AER**") basis as applicable.

- *Value of new business ("VNB")*. VNB is an actuarial performance measure which represents the value to shareholders arising from the new business issued during the relevant reporting period. It reflects the present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. VNB is calculated quarterly, based on assumptions applicable at the start of each quarter. VNB is a useful metric to help understand the profitability of our new business. Further, since VNB is a key actuarial performance measure for our new business, we also mention the growth rates on a CER basis in addition to an AER basis as applicable.

- *Underlying VNB*. Underlying VNB is an operational performance measure which represents VNB for the relevant periods excluding the impacts of our acquisitions and associated partnerships, discontinued businesses, disrupted businesses, one-off items, and non-recurring events as discussed under "*– Discussion of Key Performance Indicators – Growth and Value Creation – VNB*". We do not calculate Underlying VNB for the three months ended 31 March 2021 and 31 March 2022 as we did not undertake any major acquisitions, major disposals or designate any businesses as newly discontinued.

- *Group embedded value ("Group EV")*. Due to the long-tail nature of insurance policies with substantial future income expected to arise from in-force insurance policies, embedded value ("**EV**") is a commonly adopted method of measuring the economic value of a life insurance company. EV is an actuarial method of measuring the consolidated value of shareholders' interests in the existing business of an insurance company. It is an actuarial performance measure and an estimate of the economic value of a life insurance company based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business. Group EV, an actuarial performance measure, represents the consolidated EV of our Group and is presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

- *Embedded value equity ("EV equity")*. EV equity, an actuarial performance measure, is defined to be the equity attributable to shareholders, and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. It is presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities. EV equity allows us to measure the total equity attributable to shareholders on an actuarial basis.

Profitability and Scale

- *Total weighted premium income ("TWPI")*. TWPI, a non-IFRS measure, consists of 10% of single premiums, 100% of first year regular premiums and 100% of renewal premiums across all business lines, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with our accounting policies. Consistent with customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. TWPI provides an indicative volume measure of transactions undertaken in the relevant period that have the potential to generate profits for the shareholders. See Note 6.4 to the Accountants' Report included in Appendix I for more information. Further, since TWPI is a key operational performance measure for our indicative volumes, we also mention the growth rates on a CER basis in addition to an AER basis as applicable.

- *Segmental adjusted operating profit before tax (non-IFRS measure)*. Segmental adjusted operating profit before tax, a non-IFRS measure, consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of the Company and its financing subsidiaries, PCGI Intermediate and PCGI Intermediate II Holdings (the "**Financing Entities**"), assuming the Reorganisation was completed as of 1 January 2019 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) mergers and acquisitions ("**M&A**"), business set-up and restructuring-related costs, (vii) [**REDACTED**]-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group-wide Supervision, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance. Segmental adjusted operating profit before tax (non-IFRS measure) enhances the understanding and comparability of the Group's performance and that of its operating segments on an ongoing basis. The Group considers that trends can be more clearly identified without the significant impact of the amortisation of VOBA, the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities, and the fluctuating effects of other non-operating items which are largely dependent on market factors. Further, since segmental adjusted operating profit before tax (non-IFRS measure) is a key operational performance measure for our business, we also mention the growth rates on a CER basis in addition to an AER basis as applicable.

The following table sets forth further details of each adjustment item:

#	Adjustment	Implications to long-term results
Segmental adjusted operating profit before tax		
(i)	Implementation costs for IFRS 9 and 17 and Group-wide Supervision	• The Group will adopt IFRS 9 and IFRS 17 in the annual reporting period beginning on 1 January 2023. The Group has also been subject to the HKIA's GWS Framework since 14 May 2021 with a transitional arrangement to full implementation in 2023. • The changes in IFRS and the GWS Framework are unprecedented and as such require a fundamental change in systems and processes to reporting requirements includes one-time changes at the Group level that are different from the capital computations that we already incur at the business unit levels on an ongoing basis as well as other risk management requirements. • These implementation costs, which are not reflective of the Group's operating performance, are only incurred during the implementation stage and will decrease substantially post implementation in 2023. • Exclusion of these costs will improve the comparability between reporting periods.
Adjusted operating profit before tax		
(ii)	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	• Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return are driven by market factors. • Exclusion of these items would eliminate the short-term volatility to profit or loss, allowing for easier and more insightful comparison between reporting periods.

#	Adjustment	Implications to long-term results
(iv)	Finance costs relating to borrowings and long-term payables	• Finance costs relating to borrowings and long-term payables mainly arose in the past from financing undertaken to fund our various acquisitions and are not reflective of the Group's operating performance. • Exclusion of finance costs allows for improved comparability between reporting periods and provides a better reflection of the Group's operating performance.
(v)	Amortisation of Value of Business Acquired	• VOBA in respect of a portfolio of long-term insurance and investment contracts acquired reflects the fair value of the insurance and investment contracts upon acquisition, rather than the operating performance of contracts underwritten post acquisition. • Exclusion of amortisation of VOBA provides a better reflection of the Group's on-going operating performance.
(vi)	M&A, business set-up and restructuring related costs	• These costs are incurred in relation to acquiring, integrating, restructuring and disposing of the Group's businesses. • These costs are not reflective of the Group's operating performance, and their exclusion provides a better reflection of the Group's on-going operating performance.
(vii)	[**REDACTED**]-related costs including incentive costs	• [**REDACTED**]-related costs are expenses incurred in connection with the [**REDACTED**], and costs of incentive arrangements solely structured for the purpose of the [**REDACTED**]. These costs arise solely as a result of the [**REDACTED**]. • Excluding these costs allows for comparability between reporting periods and provides a better reflection of the Group's ongoing operating performance.

#	Adjustment	Implications to long-term results
(iii) & (viii)	Any other non-operating items which, in FWD's view, should be disclosed separately to enable a meaningful understanding of FWD's financial performance Other non-operating expenses (primarily consisting of the impact of the novation of the TMB distribution)	• Expenditure which is not considered to be reflective of the ongoing operations of the Company is excluded to allow better period-on-period comparability, where one-off and non-recurring expenses may otherwise impact meaningful trend analysis.
(ix)	Net loss of FWD and the Financing Entities assuming the Reorganisation was completed as of 1 January 2019	• These were principally financing and treasury related costs that were shareholder related and did not form part of the Group's operating business as overseen by FWD management.
Adjusted profit before tax from continuing operations		
(x)	Tax	• Tax related to the operating and non-operating items to derive the profit/(loss) from continuing operations after tax.

Profit/(loss) from continuing operations after tax

- *Adjusted net profit/loss (non-IFRS measure)*. Adjusted net profit/loss, a non-IFRS measure, is net profit/loss adjusted to exclude net profit/loss to the Company and Financing Entities, assuming the Reorganisation was completed as of 1 January 2019 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management. See Note 1.2.2 and Note 6.3 to the Accountants' Report included in Appendix I. Management views adjusted net profit/loss (non-IFRS measure) as a more relevant measure of our net profit/loss as it gives pro forma effect to the Reorganisation and should be read in conjunction with net profit/loss which reflects the actual net profit/loss incurred based on the organisation structure in the relevant periods.

- *Embedded value operating profit ("**EV Operating Profit**").* EV operating profit is an actuarial performance measure that reflects the change in EV over the relevant period, adjusted for movements relating to acquisitions, partnerships and discontinued business, economic variance, economic assumption change, non-operating variance, capital movements, corporate adjustments, financing and foreign exchange movement. It comprises expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. EV operating profit allows us to measure the profits generated from our operating units on an actuarial basis.

Capital

- *Adjusted net underlying free surplus generation ("**adjusted net UFSG**").* Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. The one-off opening adjustments, which are non-recurring, primarily include adjustments resulting from (i) revisions to the reserving methodology for valuation interest rate segregation in Hong Kong, and (ii) alignment of the valuation methodology for acquired entities (i.e., SCB Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited) with our Group's EV methodology in 2019 and 2020. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted net UFSG. Net UFSG is an actuarial performance measure and represents the underlying free surplus generation ("**UFSG**"), allowing for the free surplus used to fund new business. It excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued business, capital movements and impact of financing. Free surplus is defined as the excess of adjusted net worth, i.e., adjusted statutory net asset value attributable to shareholders, over the required capital. Adjusted net worth comprises of the statutory net asset value attributable to shareholders of the Company, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis plus/minus mark-to-market adjustments for assets that have not been held on a market value basis minus the value of intangible assets. We believe that this serves as a useful adequate measure of the quality of our in-force business and hence the ability to generate cash.

- *Leverage ratio.* Leverage ratio measures our level of indebtedness and is calculated as debt divided by the sum of debt and shareholders' allocated segment equity as at end of the relevant period.

Ratios

Growth and Value Creation

- *VNB margin*. VNB margin is an actuarial performance measure and measures the profitability of our new business and is equal to VNB expressed as a percentage of APE for the relevant period.

Profitability and Scale

- *Expense ratio*. Expense ratio measures our operational efficiency and ability to manage our cost base as we grow our business and is measured as operating expenses divided by TWPI for the relevant period.

- *Operating ROEV*. Operating ROEV is an actuarial performance measure and measures the return generated by our in-force business and new business and is defined as the ratio of EV operating profit to the average of opening and closing Group EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense and operating assumption changes.

  The following table sets forth our key performance indicators for the periods indicated:

	For the year ended/ as of 31 December			For the three months ended/ As of 31 March					
	2019	2020	2021	2021	2022	2019-2021 CAGR	1Q21-1Q22 YoY	2019-2021 CAGR	1Q21-1Q22 YoY
	(US$ millions, except for percentages)					*(AER)*		*(CER)*	
Growth & Value Creation									
Annualised premium equivalent (APE)[1]	1,125	1,692	1,446	404	405	13.4%	0.3%	13.5%	5.5%
Value of new business (VNB)[2]	498	617	686	172	191	17.4%	11.0%	17.5%	17.5%
Underlying VNB[2]	316	358	446	N/A	N/A	18.8%	N/A	18.8%	N/A
Group embedded value (Group EV)[2][3]	1,463	3,761	5,731	3,199	5,683	97.9%	77.6%	125.1%	97.4%
Embedded value equity (EV equity)[2][3]	4,845	7,110	9,065	6,652	9,036	36.8%	35.8%	45.8%	44.8%
Profitability & Scale									
Total Weighted Premium Income (TWPI)[4]	4,655	6,546	6,851	2,002	1,922	21.3%	(3.9)%	21.6%	2.5%
Segmental adjusted operating profit before tax (non-IFRS measure)[4]	47	125	205	88	117	105.9%	33.1%	111.6%	45.0%
Adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure)[5]	(365)	(268)	188	93	(114)	N/A	N/A	N/A	N/A
EV operating profit[2][6]	550	673	885	239	285	26.9%	19.5%	27.1%	27.1%
Capital									

	For the year ended/ as of 31 December			For the three months ended/ As of 31 March					
	2019	2020	2021	2021	2022	2019-2021 CAGR	1Q21-1Q22 YoY	2019-2021 CAGR	1Q21-1Q22 YoY
	(US$ millions, except for percentages)					*(AER)*		*(CER)*	
Adjusted net underlying free surplus generation (Adjusted net UFSG)(7)	103	135	95	(6)	119	(3.9)%	N/A	(3.2)%	N/A
Ratios:									
VNB margin(2)(8)	44.2%	36.5%	47.4%	42.6%	47.1%	N/A	N/A	N/A	N/A
Expense ratio(9)	17.8%	14.7%	14.4%	12.0%	11.7%	N/A	N/A	N/A	N/A
Operating ROEV(10)	26.6%	25.8%	18.7%	30.4%	21.5%	N/A	N/A	N/A	N/A
Operating ROEV as adjusted for estimated [**REDACTED**](10)(11)	N/A	N/A	[REDACTED]	N/A	[REDACTED]	N/A	N/A	N/A	N/A
Leverage ratio(12)	64.3%	49.2%	34.1%	N/A	32.4%	N/A	N/A	N/A	N/A

Except for TWPI, segmental adjusted operating profit before tax (non-IFRS measure), adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure) and expense ratio, all other numbers in the table above are unaudited.

Notes:

(1) Operational performance measure. See the Actuarial Consultant's Report set forth in Appendix III.

(2) Actuarial performance measures. See the Actuarial Consultant's Report set forth in Appendix III, except for Underlying VNB, which is a derived figure – see "*Financial Information – Discussion of Key Performance Indicators – Underlying VNB*" for more details.

(3) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

(4) Non-IFRS measures. Segmental adjusted operating profit before tax consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of the Company and the Financing Entities, assuming the Reorganisation was completed as of 1 January 2019 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) M&A, business set-up and restructuring-related costs, (vii) [**REDACTED**]-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group-wide Supervision, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance. See Notes 6.1, 6.2, 6.3 and 6.4 to the Accountants' Report included in Appendix I for more details.

(5) Non-IFRS measure. See *"Financial Information – Discussion of Key Performance Indicators – Profitability and Scale – Adjusted net profit/(loss) (non-IFRS measure)."*

(6) Presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes.

(7) Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. See the Actuarial Consultant's Report set forth in Appendix III for details on adjusted net UFSG.

(8) VNB margin is defined as VNB expressed as a percentage of APE for the relevant period.

(9) Expense ratio is defined as operating expenses expressed as a percentage of TWPI for the relevant period.

(10) Actuarial performance measure. Operating ROEV is defined as the ratio of EV operating profit to the average of opening and closing Group EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. See the Actuarial Consultant's Report set forth in Appendix III for details of EV operating profit and Group EV.

(11) As adjusted for [**REDACTED**] from the [**REDACTED**] (after deduction of the [**REDACTED**] fees and other estimated expenses related to the [**REDACTED**] paid or payable by the Company, excluding [**REDACTED**] of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to the consolidated income statement of the Group during the Track Record Period) of US$[**REDACTED**] million – US$[**REDACTED**] million (HK$[**REDACTED**] million - HK$[**REDACTED**] million), which impacts the Group EV by the same amount. Operating ROEV as adjusted for estimated [**REDACTED**] is the ratio of EV operating profit to the average of opening and closing EV with the [**REDACTED**] from the [**REDACTED**] added to closing EV. For the year ended 31 December 2021 and the three months ended 31 March 2022, operating ROEV as adjusted for estimated [**REDACTED**], in addition to [**REDACTED**] from the [**REDACTED**], also gives effect to the increase in equity due to the [**REDACTED**] Investments in January 2022. See "*History, Reorganisation and Corporate Structure* – [**REDACTED**] *Investments*" for details.

(12) Calculated as debt divided by the sum of debt and shareholders' allocated segment equity as at the end of the applicable period.

Discussion of Key Performance Indicators

Growth and Value Creation – APE

Our APE, an operational performance measure, increased by 5.5% on a CER basis (0.3% on an AER basis) from US$404 million in the three months ended 31 March 2021 to US$405 million in the three months ended 31 March 2022, as a result of strong growth in (i) Emerging Markets as we continued to deliver across all of our distribution channels and in particular execute on our recently formed distribution partnerships, and (ii) Japan as we continued to pivot towards individual products while the COLI business plateaued. This growth was partially offset by the decline in (i) Hong Kong (and Macau) due to increased COVID-19 restrictions imposed during the three months ended 31 March 2022, and (ii) Thailand (and Cambodia) due to COVID-19 with large numbers of sales staff being in quarantine in Thailand.

Our APE decreased by 13.2% on a CER basis (14.5% on an AER basis) from US$1,692 million in 2020 to US$1,446 million in 2021, as a result of (i) one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020, and (ii) the decline in Thailand and Japan, due to the termination of the TMB partnership in Thailand and the pivot away from COLI to focus primarily on individual protection business in Japan, which was partially offset by the strong growth in Hong Kong and Emerging Markets.

Our APE increased by 49.3% on a CER basis (50.4% on an AER basis) from US$1,125 million in 2019 to US$1,692 million in 2020, primarily due to (i) the full year contribution from our bancassurance sales through SCB in Thailand, (ii) strong growth in the onshore business in Hong Kong and individual protection business in Japan, (iii) our success in capturing substantial growth opportunities in Emerging Markets, (iv) our systematic roll-out of various digital tools across our markets that enabled strong new business growth, and (v) one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020, which was partially offset by the impact of the COVID-19 pandemic, in particular on the sales to MCVs in Hong Kong and the reduced demand for COLI products in Japan due to changes in taxation rules.

The following table presents the APE achieved by our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets market segments for the periods indicated:

	Year ended 31 December			Three months ended 31 March		2019-20	2020-21	2019-21	1Q21-1Q22
	2019	2020	2021	2021	2022	YoY	YoY	CAGR	YoY
	(US$ millions, except for percentages)								
Hong Kong (and Macau)	431	372	474	123	117	(13.7)%	27.4%	4.8%	(4.9)%
Thailand (and Cambodia)	266	616	462	165	145	131.2%	(25.0)%	31.7%	(12.2)%
Japan	270	507	209	53	53	87.7%	(58.7)%	(12.0)%	0.1%
Emerging Markets	157	197	301	63	90	25.1%	53.1%	38.4%	43.7%
Group APE	**1,125**	**1,692**	**1,446**	**404**	**405**	**50.4%**	**(14.5)%**	**13.4%**	**0.3%**

To give a more meaningful representation of the performance of our underlying business, we also present Underlying APE. For the years ended 31 December 2019, 2020 and 2021, Underlying APE is the APE adjusted to exclude, as applicable, the impacts of (i) our acquisitions and associated partnerships – SCB and other distribution networks of SCB Life, FWD Takaful, PTBC and other distribution networks of PT Commonwealth Life, VCB and 29.9% stake in BRI Life, (ii) the discontinued TMB partnership in Thailand which ended on 31 December 2020, (iii) the discontinued employee benefits business in Singapore, (iv) COLI business in Japan which was impacted by taxation rule changes, and (v) the one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020. We do not compare the three months ended 31 March 2021 and 31 March 2022 on an Underlying basis as we did not undertake any major acquisitions, major disposals or designate any businesses as newly discontinued.

Despite such strategic transactions or events taking place in a certain period, we have made adjustments consistently across the Track Record Period so as to enable a fair and consistent comparison across the relevant periods and to provide a more accurate picture of the Group's organic growth, excluding the impacts of additional acquisition and associated partnerships, discontinued businesses, disrupted businesses, one-off items and non-recurring events.

The following table presents our Underlying APE as reconciled with the APE for the relevant periods:

	Year ended 31 December					2019-21
	2019	2020	2021	2019-20 YoY	2020-21 YoY	CAGR
	(US$ millions, except for percentages)					
APE	**1,125**	**1,692**	**1,446**	**50.4%**	**(14.5)%**	**13.4%**
Less: Acquisitions/ Partnerships and Discontinued Businesses						
Thailand – SCB[1]	57	434	362	N/A	N/A	N/A
Thailand – TMB	139	86	–	N/A	N/A	N/A
Emerging Markets[2]	23	49	112	N/A	N/A	N/A
Less: Japan – COLI	176	149	80	N/A	N/A	N/A
Less: Japan – Retrocession Reinsurance	–	236	–	N/A	N/A	N/A
Underlying APE	**730**	**739**	**893**	**1.1%**	**20.9%**	**10.6%**

Notes:

(1) Business generated through SCB and other distribution networks of SCB Life.

(2) Business generated through (i) FWD Takaful, PTBC, other distribution networks of PT Commonwealth Life and VCB, and 29.9% stake in BRI Life and (ii) the discontinued employee benefits business in Singapore.

Our Underlying APE increased by 21.7% on a CER basis (20.9% on an AER basis) from US$739 million in 2020 to US$893 million in 2021, and by 0.6% on a CER basis (1.1% on an AER basis) from US$730 million in 2019 to US$739 million in 2020, reflecting the growth of our underlying business from the various initiatives we have undertaken across product design, channel optimisation and digitalisation and, in particular for 2021, from growth in Hong Kong.

Growth and Value Creation – VNB

Our VNB, an actuarial performance measure, increased by 17.5% on a CER basis (11.0% on an AER basis) from US$172 million in the three months ended 31 March 2021 to US$191 million in the three months ended 31 March 2022, primarily due to (i) increase in margins in Hong Kong as we repriced some of our key savings products, (ii) increase in margins in Thailand from a larger mix of higher margin products, (iii) growth of new business in Japan driven by higher margins individual products, while the sales of lower margin COLI business plateaued, and (iv) growth of new business in Emerging Markets across all markets as COVID-19 restrictions were lifted and increase in margins from continued shift towards protection products.

Our VNB, increased by 12.7% on a CER basis (11.1% on an AER basis) from US$617 million in 2020 to US$686 million in 2021, primarily due to the change in product mix to be more protection oriented, which resulted in higher profitability and, in particular, in Thailand where, while our APE declined, VNB increased, reflecting a significant change in product mix towards more profitable products as well as the acquisitions in Vietnam and Indonesia and offset by the one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020. Excluding the impact of TMB partnership which we ended on 31 December 2020 and the one-off retrocession reinsurance in Japan in 2020, our VNB grew by 27.9% on a CER basis (26.6% on an AER basis) from US$542 million in 2020 to US$686 million in 2021.

Our VNB increased by 22.4% on a CER basis (24.0% on an AER basis) from US$498 million in 2019 to US$617 million in 2020, primarily due to business growth driven by our digital tools and data analytics to enhance, extend and empower our distribution channels, increased contribution of protection products to the overall portfolio, the full year contribution to our sales by our partnership with SCB and the one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020, which was partially offset by (i) lower VNB in Hong Kong due to lower sales to MCVs as a result of the travel restrictions resulting from the COVID-19 pandemic, (ii) lower VNB in Japan from COLI product sales as a result of changes in the taxation rules in 2019, and (iii) winding down of our bancassurance partnership with TMB in Thailand as we commenced our partnership with SCB.

Our protection ratio increased from approximately 44% in 2019 to approximately 52% in 2021, and decreased to approximately 48% in the three months ended 31 March 2022. This overall increase in our protection ratio reflects the success of our continued efforts to increase the protection mix of our products. Our protection ratio has grown primarily due to our concerted effort and continuous focus on better addressing our customers' protection needs. We have also consistently implemented our protection strategy across all markets, including (i) pioneering a variety of protection products, which are easy to understand and affordable, (ii) revamping our existing protection products and introducing new protection products to meet customers' needs, (iii) equipping our distribution partners with continuous training to be aware of market development and better understand customers' protection needs, and (iv) introducing easy-to-understand policies to help customers to be more aware of the insurance coverage and ultimately improving the onboarding process. While our Protection VNB (as highlighted in the next paragraph) increased in the three months ended

31 March 2022 compared to the three months ended 31 March 2021, the protection ratio declined primarily due to protection ratio in Thailand being impacted by higher interest rates which benefit the margin on base savings products more than the margins on protection sales, thereby diluting the protection ratio due to denominator effect.

Additionally, our Protection VNB, which is also an actuarial performance measure, measures the protection component of our total VNB and is calculated by aggregating product level Protection VNB, grew at a CAGR of approximately 27% on a CER basis (approximately 27% on an AER basis) from US$220 million in 2019 to US$355 million in 2021. Our Protection VNB further grew by approximately 10% on a CER basis (approximately 4% on an AER basis) from US$88 million in the three months ended 31 March 2021 to US$91 million in the three months ended 31 March 2022. Excluding the impact of the TMB partnership, which we terminated on 31 December 2020, our Protection VNB grew at a CAGR of approximately 31% on a CER basis (approximately 30% on an AER basis) from US$209 million in 2019 to US$355 million in 2021. Our Protection VNB growth was particularly strong in 2020 and 2021 as we integrated SCB and changed the product mix to be more protection oriented. Further, despite the impact of COVID-19 in 2020 and 2021, while we witnessed a decline of approximately 13% in Protection VNB in the first quarter of 2020 as compared to the first quarter of 2019, we grew by approximately 29%, 76% and 116% in the second, third and fourth quarters of 2020 and by approximately 64%, 63% and 20% in the first, second and third quarters of 2021, respectively, while the fourth quarter of 2021 saw a decline of 44% due to one-off retrocession reinsurance in Japan in the fourth quarter of 2020 (decline of 14% if excluding the one-off retrocession reinsurance), on a year-over-year basis. Despite the continued impact of COVID-19 in the three months ended 31 March 2022, we witnessed an increase of approximately 10% on a CER basis (approximately 4% on an AER basis) in Protection VNB compared to the three months ended 31 March 2021.

The following table presents our VNB for each of our reporting segments and our VNB margin for the periods indicated:

	Year ended 31 December			Three months ended 31 March		2019-20 YoY	2020-21 YoY	2019-21 CAGR	1Q21-1Q22 YoY
	2019	2020	2021	2021	2022				
	(US$ millions, except for percentages)								
Hong Kong (and Macau)	170	167	205	41	43	(1.8)%	22.2%	9.6%	6.8%
Thailand (and Cambodia)	65	183	217	69	72	179.8%	18.8%	82.3%	4.1%
Japan	210	188	131	36	37	(10.4)%	(30.4)%	(21.0)%	3.8%
Emerging Markets	52	79	133	26	38	52.2%	69.2%	60.5%	45.7%
Total VNB	**498**	**617**	**686**	**172**	**191**	**24.0%**	**11.1%**	**17.4%**	**11.0%**
VNB margin	44.2%	36.5%	47.4%	42.6%	47.1%	N/A	N/A	N/A	N/A

Similar to Underlying APE, we also present VNB on an underlying basis ("**Underlying VNB**") to provide a more meaningful representation of the growth of the VNB of our underlying business. For the years ended 31 December 2019, 2020 and 2021, Underlying VNB is the VNB adjusted to exclude, as applicable, the impacts of (i) our acquisitions and associated partnerships – SCB and other distribution networks of SCB Life, FWD Takaful, PTBC and other distribution networks of PT Commonwealth Life, VCB, and 29.9% stake in BRI Life, (ii) the discontinued TMB partnership in Thailand which ended on 31 December 2020, (iii) the discontinued employee benefits business in Singapore, (iv) COLI business in Japan which was impacted by taxation rule changes, and (v) the one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020. We do not compare the three months ended 31 March 2021 and 31 March 2022 on an Underlying basis as we did not undertake any major acquisitions, major disposals or designate any businesses as newly discontinued.

Despite such strategic transactions or events taking place in a certain period, we have made adjustments consistently across the Track Record Period so as to enable a fair and consistent comparison across the relevant periods and to provide a more accurate picture of the Group's organic growth, excluding the impacts of additional acquisition and associated partnerships, discontinued businesses, disrupted businesses, one-off items and non-recurring events.

The following table presents our Underlying VNB as reconciled with the VNB for the relevant periods:

	Year ended 31 December					
	2019	2020	2021	2019-20 YoY	2020-21 YoY	2019-21 CAGR
	(US$ millions, except for percentages)					
VNB	**498**	**617**	**686**	**24.0%**	**11.1%**	**17.4%**
Less: Acquisitions/ Partnerships and Discontinued Businesses						
Thailand – SCB(1)	11	127	170	N/A	N/A	N/A
Thailand – TMB	34	20	–	N/A	N/A	N/A
Emerging Markets(2)	3	19	41	N/A	N/A	N/A
Less: Japan – COLI	134	38	29	N/A	N/A	N/A
Less: Japan – Retrocession Reinsurance	–	56	–	N/A	N/A	N/A
Underlying VNB	**316**	**358**	**446**	**13.5%**	**24.5%**	**18.8%(3)**
Underlying VNB margin	43.2%	48.5%	50.0%	N/A	N/A	N/A

Notes:

(1) Business generated through SCB and other distribution networks of SCB Life.

(2) Business generated through (i) FWD Takaful, PTBC, other distribution networks of PT Commonwealth Life and VCB, 29.9% stake in BRI Life, and (ii) the discontinued employee benefits business in Singapore.

(3) 2018-2021 CAGR of 25.0% on a CER basis (25.3% on an AER basis).

Our Underlying VNB increased by 25.7% on a CER basis (24.5% on an AER basis) from US$358 million in 2020 to US$446 million in 2021, and by 12.4% on a CER basis (13.5% on an AER basis) from US$316 million in 2019 to US$358 million in 2020, primarily due to the strong growth of our underlying business and continued shift to higher margin products. Accordingly, our Underlying VNB margin, also an actuarial performance measure, was 43.2%, 48.5%, and 50.0% in 2019, 2020, 2021, respectively.

For additional discussion of VNB and Protection VNB by reporting segments, see "– *Segment Information*."

Growth and Value Creation – Group EV and EV equity

Our Group EV, an actuarial performance measure, decreased by 0.8% from US$5,731 million as of 31 December 2021 to US$5,683 million as of 31 March 2022, primarily due to unrealised capital losses from debt securities as a result of increase in interest rates, and foreign exchange movements reflecting strengthening of the US Dollar against the Japanese Yen, partially offset by US$192 million capital raised in January 2022. Our Group EV increased by 52.4% from US$3,761 million as of 31 December 2020 to US$5,731 million as of 31 December 2021 primarily due to the US$2,389 million of capital raised in 2021, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments*" for details, partially offset by the negative impact of US$487 million from foreign exchange movement, largely driven by the strengthening of the US Dollar against the Japanese Yen and Thai Baht. Our Group EV increased by 157.1% from US$1,463 million as of 31 December 2019 to US$3,761 million as of 31 December 2020 due to the continued value generation from expected return on EV, new business growth and the US$2,408 million capital raised by the Group through capital injections.

Our EV equity, an actuarial performance measure, decreased by 0.3% from US$9,065 million as of 31 December 2021 to US$9,036 million as of 31 March 2022, primarily due to unrealised capital losses from debt securities as a result of increase in interest rates, and foreign exchange movements reflecting strengthening of the US Dollar against the Japanese Yen, partially offset by US$192 million capital raised in January 2022. Our EV equity increased by 27.5% from US$7,110 million as of 31 December 2020 to US$9,065 million as of 31 December 2021 primarily due to the US$2,389 million of capital raised as of 31 December 2021, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments*" for details, partially offset by the negative movements in the foreign exchange rate of US$660 million. Our EV equity increased by 46.8% from US$4,845 million as of 31 December 2019 to US$7,110 million as of 31 December 2020 primarily due to the capital injection in the amount of US$2,408 million.

The following table presents our Group EV and EV equity as of the dates indicated:

	As of 31 December			As of 31 March
	2019	2020	2021	2022
	(US$ millions)			
Group EV(1)	1,463	3,761	5,731	5,683
EV equity(1)	4,845	7,110	9,065	9,036

Note:

(1) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

Profitability and Scale – TWPI

Our TWPI, a non-IFRS measure, increased by 2.5% on a CER basis (decreased by 3.9% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022 primarily due to growth of in-force business, partially offset by the slowdown in our new business, specifically:

- *Hong Kong (and Macau)*: TWPI remained largely unchanged as the growth in our in-force business was offset by lower sales in Hong Kong as a result of tightened COVID-19 restrictions.

- *Thailand (and Cambodia):* TWPI decreased as growth in our in-force business and sales in protection products was off-set by reduced sales in lower margin single premium products. On a CER basis, TWPI in Thailand increased by approximately 3% as we continue to focus on building value in our new business portfolio by focusing on protection and higher margin savings products.

- *Japan:* TWPI decreased as we continued to pivot away from lower margin but higher sales volume COLI products, towards individual products.

- *Emerging Markets:* TWPI increased reflecting growth across all of our markets, and in particular strong top-line growth in Indonesia, Vietnam and the Philippines, and traction in acquired distribution channels.

Our TWPI, a non-IFRS measure, increased by 6.0% on a CER basis (4.7% on an AER basis) from US$6,546 million in 2020 to US$6,851 million in 2021 primarily due to the revenue from in-force policies across our reporting segments and growth from acquisitions, specifically:

- *Hong Kong (and Macau):* TWPI increased due to our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020.

- *Thailand (and Cambodia):* TWPI remained largely unchanged due to the continued focus on building value in our new business portfolio by focusing on protection and higher margin savings products.

- *Japan:* TWPI remained largely unchanged as we continued to pivot away from COLI products, the sale of which was impacted due to changes in taxation rules, towards individual products.

- *Emerging Markets:* TWPI increased due to growth in all our markets, and in particular strong top-line growth in Indonesia, Vietnam and the Philippines, and traction in acquired distribution channels.

Our TWPI increased by 39.6% on a CER basis (40.6% on an AER basis) from US$4,655 million in 2019 to US$6,546 million in 2020, primarily due to the growth of our new business sales and revenue from in-force policies across our reporting segments, specifically:

- *Hong Kong (and Macau):* TWPI increased due to (i) strong growth in renewal premiums, which was primarily driven by strong sales in 2019, and new business sales to onshore customers and (ii) our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020, which was partially offset by a decline in demand for our products from MCVs primarily due to the COVID-19 pandemic and the border control measures in response to it.

- *Thailand (and Cambodia):* TWPI increased due to strong growth driven by (i) our acquisition of SCB Life, which contributed only one quarter of premiums in 2019 compared to a full year of premiums in 2020 and (ii) organic new business growth across our distribution channels, which was partially offset by the decline in sales through our TMB partnership which ceased on 31 December 2020.

- *Japan:* TWPI increased due to increased individual product sales and one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, which were partially offset by reduced demand for COLI products and our strategic shift away from COLI to individual products as result of the tax rule change in February 2019, which significantly reduced COLI-related tax benefits for corporate customers.

- *Emerging Markets:* We experienced double-digit growth in TWPI in all markets, due to strong top-line growth, particularly from renewal premiums in Indonesia and the Philippines, and traction in newly acquired distribution channels.

The following table presents the TWPI achieved by each of our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets market segments for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ millions)		
Hong Kong (and Macau)	1,443	1,730	1,888	444	447
Thailand (and Cambodia)	1,140	2,255	2,249	733	693
Japan	1,801	2,131	2,105	677	611
Emerging Markets	271	430	609	148	171
Total TWPI	**4,655**	**6,546**	**6,851**	**2,002**	**1,922**

For a reconciliation of TWPI to premiums and fee income in the consolidated income statement, see Note 6.4 to the Accountants' Report included in Appendix I.

Profitability and Scale – Adjusted net profit/(loss) (non-IFRS measure)

We recorded net loss of US$101 million in the three months ended 31 March 2022 compared to net profit of US$106 million in the three months ended 31 March 2021, primarily due to short-term fluctuations in investment returns from fair value losses on our equity portfolio. See "– *Factors and Trends Affecting our Results of Operations – Investment portfolio performance.*"

We recorded net profit of US$249 million in 2021 compared to net loss of US$252 million in 2020, primarily due to the higher investment income from asset growth and fair value gains on our equity portfolio, and the decline in our expense ratio across segments. See "– *Factors and Trends Affecting our Results of Operations – Investment portfolio performance*."

We recorded net losses of US$332 million and US$252 million for 2019 and 2020, respectively, primarily due to (i) increases in financing costs, which reflected additional bank borrowings in 2020 and the interest on bank borrowings, subordinated notes and guaranteed notes issued in mid- to late-2019, and (ii) one-off acquisition and related integration costs, and implementation costs for IFRS 9 and 17 and GWS, which were partially offset by gains in short-term fluctuations in investment returns. In particular, in 2019 the increase in net loss was also due to increased expenses from the implementation of our digital initiatives and from the cost of integrating our acquired businesses that did not form part of the Group overseen by FWD management (i.e., the Financing Entities). See "– *Factors and Trends Affecting our Results of Operations – Expense Management*."

To provide a more meaningful representation of our results of operations, we have presented adjusted net profit/(loss), which is a non-IFRS measure that excludes the net loss of the Company and Financing Entities, assuming the Reorganisation was completed as of 1 January 2019, since these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management – see Note 1.2.2 and Note 6.3 to the Accountants' Report included in Appendix I for more information.

Our adjusted net loss (non-IFRS measure) in the three months ended 31 March 2022 was US$101 million compared to adjusted net profit (non-IFRS measure) of US$106 million in the three months ended 31 March 2021, due to the factors affecting our net profit/(loss) as mentioned above. Our adjusted net profit (non-IFRS measure) in 2021 was US$249 million compared to adjusted net loss (non-IFRS measure) of US$216 million in 2020, due to the factors affecting our net profit/(loss) as mentioned above and the adjustment for net loss to the Company and Financing Entities in 2020, which is the adjustment item for the Reorganisation – See Note 1.2.2 and Note 6.3 to the Accountants' Report included in Appendix I, as the relevant steps under the Reorganisation were completed in 2020. See "*– Factors and Trends Affecting our Results of Operations – Expense Management*" and "*– Factors and Trends Affecting our Results of Operations – Investment portfolio performance.*"

We recorded an adjusted net loss (non-IFRS measure) of US$330 million and US$216 million for 2019 and 2020, respectively, due to factors affecting net loss as mentioned above and the change in net loss to the Company and Financing Entities. The net loss of the Company and Financing Entities excluded from adjusted net profit/(loss) principally comprised financing costs related to bank borrowings and guaranteed notes that were novated and transferred to a related third party as part of the Reorganisation.

The following table presents our adjusted net profit/(loss) (non-IFRS measure) as reconciled with our net profit/(loss) in for the periods indicated:

	Year ended 31 December			**Three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Net profit/(loss)	**(332)**	**(252)**	**249**	**106**	**(101)**
Less:					
Net loss of the Company and Financing Entities	2	36	–	–	–
Interest income	(1)	(1)	–	–	–
General expenses	1	1	–	–	–
Finance costs	2	36	–	–	–

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
NON-IFRS MEASURE					
Adjusted net profit/(loss) (non-IFRS measure)	**(330)**	**(216)**	**249**	**106**	**(101)**
Attributable to:					
Shareholders of the Company(1)	(365)	(268)	188	93	(114)
Perpetual securities(1)	38	65	65	16	13
Non-controlling interests(1)	(3)	(13)	(4)	(3)	–

Note:

(1) Non-IFRS measure.

Profitability and Scale – Segmental adjusted operating profit before tax (non-IFRS measure)

Our segmental adjusted operating profit before tax, a non-IFRS measure, increased from US$47 million in 2019 to US$125 million in 2020 to US$205 million in 2021 and from US$88 million in the three months ended 31 March 2021 to US$117 million in the three months ended 31 March 2022, as we increasingly benefitted from economies of scale, an improvement in investment return in 2021 and to a lesser extent, an increase in net premiums, fee income and other operating revenue.

Our segmental adjusted operating profit before tax (non-IFRS measure) excludes the implementation costs for IFRS 9 and 17 and GWS, which relate to the preparation for the requirements arising from IFRS 9 and 17 and GWS. IFRS 9 and 17 will be effective on 1 January 2023 and GWS became effective in May 2021 with a transitional arrangement to full implementation in 2023. Implementation costs for IFRS 9 and 17 and GWS increased from US$18 million in 2019 to US$24 million in 2020 to US$29 million in 2021 and from US$7 million in the three months ended 31 March 2021 to US$10 million in the three months ended 31 March 2022. These costs are expected to be minimal from 2023 onwards. Including the impact of these one-off implementation costs, our adjusted operating profit before tax (non-IFRS measure) increased from US$29 million in 2019 to US$101 million in 2020 to US$176 million in 2021 and from US$81 million in the three months ended 31 March 2021 to US$107 million in the three months ended 31 March 2022.

- *Hong Kong (and Macau):* Segmental adjusted operating profit before tax (non-IFRS measure) was US$128 million and US$141 million in 2019 and 2020, respectively. The increase in 2020 compared to 2019 was driven by increased investment returns from the expansion of our investment portfolio, which was partially offset by an increase in operating expenses in 2020 reflecting the consolidation of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, which we acquired in 2020. Segmental adjusted operating profit before tax increased to US$187 million in 2021, primarily due to the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020 and higher investment returns resulting from growth in our asset base. Segmental adjusted operating profit before tax decreased from US$50 million in the three months ended 31 March 2021 to US$32 million in the three months ended 31 March 2022 due to lower investment margins, higher expenses from additional compensation expense, and lower mortality and morbidity margins.

- *Thailand (and Cambodia):* Segmental adjusted operating profit before tax (non-IFRS measure) was US$41 million in 2019, and increased to US$86 million in 2020, reflecting the increased profits from SCB Life and our disciplined expense management. Investment return increased due to higher average invested assets, and was partially offset by the de-risking of our investment portfolio and the continuation of the low-interest rate environment. Operating expenses increased, reflecting a full year of SCB Life's contribution following its acquisition, which were partially offset by our disciplined expense management across the business. Segmental adjusted operating profit before tax further increased to US$144 million in 2021, primarily as a result of continued disciplined expense management combined with improvements in investment return. Segmental adjusted operating profit before tax increased from US$32 million in the three months ended 31 March 2021 to US$37 million in the three months ended 31 March 2022 due to higher deferred acquisition expense, lower surrender benefit payments which resulted in higher surrender margins, and lower commission and commission related expenses.

- *Japan:* Segmental adjusted operating profit before tax (non-IFRS measure) was US$71 million and US$100 million in 2019 and 2020, respectively, reflecting increased sales of profitable term insurance products, our shift of focus to individual protection products towards the end of 2019 and restructuring of the investment portfolio by reallocating investments from lower-yield bonds to foreign investment grade credit and high-yield bonds. Segmental adjusted operating profit before tax remained largely unchanged at US$97 million in 2021 as any increase from the business generated through our pivot to individual protection products was offset by the decline in COLI business. Segmental adjusted operating profit before tax increased from US$59 million in the three months ended 31 March 2021 to US$71 million in the three months ended 31 March 2022 primarily due to lower operating expenses and improvements in investment return.

- *Emerging Markets:* Segmental adjusted operating loss before tax (non-IFRS measure) was US$98 million, US$87 million, US$73 million, US$26 million and US$12 million in 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively, reflecting the loss-making position of the segment as we are in the process of scaling up our operations in the relevant markets and due to the increased costs associated with new business sales resulting from our fast growth.

The following table presents segmental adjusted operating profit/(loss) before tax (non-IFRS measure) for each of our reporting segments for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ millions)		
Hong Kong (and Macau)	128	141	187	50	32
Thailand (and Cambodia)	41	86	144	32	37
Japan	71	100	97	59	71
Emerging Markets	(98)	(87)	(73)	(26)	(12)
Corporate and Others	(95)	(115)	(150)	(27)	(11)
Segmental adjusted operating profit before tax (non-IFRS measure)[(1)]	**47**	**125**	**205**	**88**	**117**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(18)	(24)	(29)	(7)	(10)
Adjusted operating profit before tax (non-IFRS measure)[(1)]	**29**	**101**	**176**	**81**	**107**

Note:

(1) Non-IFRS measures. See Notes 6.1 and 6.2 to the Accountants' Report included in Appendix I respectively for more details.

Profitability and Scale – EV operating profit

Our EV operating profit, an actuarial performance measure, increased from US$239 million in the three months ended 31 March 2021 to US$285 million in the three months ended 31 March 2022, primarily due to the growth in VNB and returns from our in-force business along with an improvement in operating variance, in particular expense variance and persistency variance. Our EV operating profit increased from US$673 million in 2020 to US$885 million in 2021, primarily due to the growth in VNB and returns from our in-force business. Our EV operating profit increased from US$550 million in 2019 to US$673 million in 2020 due to strong expected returns from our in-force business and the growth in VNB. Our EV operating profit grew at a CAGR of 26.9% from 2019 to 2021 and by 19.5% from the three months ended 31 March 2021 to the three months ended 31 March 2022. Within these figures, our operating variance was negative across the track record period largely driven by expense and commission variance. We have continued to see improvement in our operating variance, having improved by 11% on a CER basis in the three months ended 31 March 2022 compared to the three months ended 31 March 2021 and by 19% on a CER basis in the six months ended 30 June 2022 compared to the six months ended 30 June 2021. Our operating variance was negative US$127 million for the six months ended 30 June 2022.

Capital – Adjusted net UFSG

Our net UFSG, an actuarial performance measure, changed from a consumption of US$67 million in the three months ended 31 March 2021 to a surplus of US$86 million in the three months ended 31 March 2022 due to higher expected return from Hong Kong and Thailand as a result of an increase in interest rates.

Our net UFSG changed from a surplus of US$248 million in 2020 to a consumption of US$52 million in 2021 due to the higher new business strain in Hong Kong, which was driven by higher campaign costs required to sustain sales momentum under a prolonged COVID environment, partially offset by the change in product mix.

Our net UFSG increased from US$182 million in 2019 to US$248 million in 2020, primarily due to the growth in underlying free surplus generation from our Thailand business mainly as result of our acquisition of SCB Life which accounted for a full year in 2020, which was partially offset by a decline in free surplus generation in Hong Kong (and Macau) where, as result of the low interest rate environment, the underlying free surplus generated was not fully sufficient to fund new business growth.

To provide a more meaningful representation of our net UFSG, we also look at adjusted net UFSG which is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. The one-off opening adjustments, which are non-recurring, include primarily adjustments resulting from (i) revisions to the reserving methodology for valuation interest rate segregation in Hong Kong, and (ii) alignment of the valuation methodology for acquired entities (i.e., SCB Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited) with our Group's EV methodology in 2019 and 2020. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted net UFSG. The expense variance include the maintenance expenses that are allowed for in our in-force book and our operating and acquisition expenses – see the Actuarial Consultant's Report set forth in Appendix III to this document for details. Our adjusted net UFSG was US$103 million in 2019, increased to US$135 million in 2020, decreased to US$95 million in 2021 primarily due to the higher new business strain in Hong Kong in 2021. Our adjusted net UFSG further changed from a consumption of US$6 million in the three months ended 31 March 2021 to surplus of US$119 million in the three months ended 31 March 2022 primarily due to higher expected return in Hong Kong and Thailand as a result of increase in interest rates. Our adjusted net UFSG further increased from a surplus of US$3 million in the six months ended 30 June 2021 to a surplus of US$259 million in the six months ended 30 June 2022 due to the same reason above.

The following table presents our net UFSG and adjusted net UFSG for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
UFSG	597	654	456	88	200
Free Surplus used to fund new business	(415)	(406)	(508)	(156)	(114)
Net UFSG	**182**	**248**	**(52)**	**(67)**	**86**
One-off opening adjustments and non-economic assumption changes	(388)	(410)	(68)	(2)	(18)
Expense variance	308	297	216	63	51
Adjusted net UFSG	**103**	**135**	**95**	**(6)**	**119**

Leverage ratio

Our leverage ratio improved from 64.3% in 2019 to 49.2% in 2020 to 34.1% in 2021 as we raised more capital in 2020 and 2021 and paid down part of our existing debt in 2021. Our leverage ratio decreased from 34.1% in 2021 to 32.4% in the three months ended 31 March 2022 primarily due to the repayment of the January 2017 Perpetual Securities. See "*– Equity*" and "*– Indebtedness – Borrowings*" for more details.

Ratios

Profitability and Scale – Expense ratio

The following table presents our expense ratio for each of our reporting segments for the periods indicated:

	Year ended 31 December			Three months ended 31 March		Six months ended 30 June	
	2019	2020	2021	2021	2022	2021	2022
						(unaudited)	
				(US$ millions)			
Hong Kong (and Macau)	13.4%	11.3%	11.7%	11.5%	12.9%	10.6%	12.8%
Thailand (and Cambodia)	11.2%	9.8%	9.4%	7.2%	7.8%	8.6%	9.2%
Japan	14.5%	12.4%	10.6%	9.5%	7.8%	9.8%	9.2%
Emerging Markets	53.4%	40.6%	34.6%	35.8%	33.7%	36.9%	33.4%
Total	**17.8%**	**14.7%**	**14.4%**	**12.0%**	**11.7%**	**12.9%**	**13.5%**

Our expense ratio decreased from 17.8% in 2019 to 14.7% in 2020, primarily as a result of the benefit from economies of scale and cost savings from the implementation of our digital initiatives across our markets and the increase in TWPI from 2019 to 2020. Economies of scale arose from the deployment of our systems and processes on a much wider scale – for example, when we formed new distribution partnerships to expand our business, we were able to utilise the blueprints and systems that we had already developed for our other distribution partnerships because the basic underlying business model did not change materially. Our digital initiatives, as described in "*Business – Technology*", allowed us to reduce costs in a number of ways, such as eliminating paper usage through eKYC, dynamic underwriting, reducing fraud through AI fraud detection, migrating systems to the cloud instead of operating our own data centres, and a more efficient claims process through our AI Claims 2.0 Platform.

Our expense ratio decreased from 14.7% in 2020 to 14.4% in 2021, primarily as a result of the benefit from economies of scale and cost savings from the implementation of our digital initiatives across our markets. However, while our expense ratio decreased in Thailand (and Cambodia), Japan and Emerging Markets, our expense ratio in Hong Kong (and Macau) increased because we chose not to engage in cost reductions even though our offshore sales to MCVs in Hong Kong were adversely impacted by the border closures between Hong Kong and mainland China due to the COVID-19 outbreak, in anticipation of borders opening again in the near future resulting in a resumption in our MCV business.

Our expense ratio decreased from 12.0% in the three months ended 31 March 2021 to 11.7% in the three months ended 31 March 2022, but increased from 12.9% in the six months ended 30 June 2021 to 13.5% in the six months ended 30 June 2022 for the same reasons mentioned above. However, this quarterly and half-yearly expense ratio should not be compared with the annual expense ratio due to the effects of seasonality. The Group's management views and manages our expense ratio primarily on an annual rather than quarterly or half-yearly basis.

Profitability and Scale – Operating ROEV

The following table presents our operating ROEV and operating ROEV as adjusted for estimated [**REDACTED**], both of which are actuarial performance measures, for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Operating ROEV	26.6%	25.8%	18.7%	30.4%	21.5%
Operating ROEV as adjusted for estimated [**REDACTED**][(1)]	N/A	N/A	[REDACTED]	N/A%	[REDACTED]

Note:

(1) As adjusted for [**REDACTED**] from the [**REDACTED**] (after deduction of the [**REDACTED**] fees and other estimated expenses related to the [**REDACTED**] paid or payable by the Company, excluding [**REDACTED**] of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to the consolidated income statement of the Group during the Track Record Period) of US$[**REDACTED**] million – US$[**REDACTED**] million (HK$[**REDACTED**] million – HK$[**REDACTED**] million), which impacts the Group EV by the same amount. Operating ROEV as adjusted for estimated [**REDACTED**] is the ratio of EV operating profit to the average of opening and closing EV with the [**REDACTED**] from the [**REDACTED**] added to closing EV. For the year ended 31 December 2021 and the three months ended 31 March 2022, operating ROEV as adjusted for estimated [**REDACTED**], in addition to [**REDACTED**] from the [**REDACTED**], also gives effect to the increase in equity due to the [**REDACTED**] Investments in January 2022. See "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments*" for details.

Our operating ROEV decreased from 30.4% in the three months ended 31 March 2021 to 21.5% in the three months ended 31 March 2022 primarily due to the increase in our Group EV which more than offset the increase in EV operating profit. Our operating ROEV decreased from 25.8% in 2020 to 18.7% in 2021 primarily due to the increase in our Group EV between 2020 and 2021 for the reasons explained earlier, which more than offset the increase in EV operating profit. Similarly, our Operating ROEV decreased from 26.6% in 2019 to 25.8% in 2020 due to the increase in Group EV between 2019 and 2020 which offset the increase in EV operating profit.

Assuming [**REDACTED**] from the [**REDACTED**] (after deduction of the [**REDACTED**] fees and other estimated expenses related to the [**REDACTED**] paid or payable by the Company, excluding [**REDACTED**] of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to the consolidated income statement of the Group during the Track Record Period) of US$[**REDACTED**] million to US$[**REDACTED**] million (HK$[**REDACTED**] million – HK$[**REDACTED**] million), our operating ROEV as adjusted for estimated [**REDACTED**] for 2021 would be in the range of [**REDACTED**]% to [**REDACTED**]% in 2021 and in the range of [**REDACTED**]% to [**REDACTED**]% in the three months ended 31 March 2022. Operating ROEV as adjusted for [**REDACTED**] is the ratio of EV operating profit to the average of opening and closing Group EV with closing Group EV adjusted for [**REDACTED**] from the [**REDACTED**]. For 2021 and the three months ended 31 March 2022, operating ROEV as adjusted for estimated [**REDACTED**], in addition to [**REDACTED**] from the [**REDACTED**], also gives effect to the increase in equity due to the [**REDACTED**] Investments in January 2022. See "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments*" for details.

Components of our Results of Operations

The following table sets forth our consolidated income statement and statement of comprehensive income with selected items for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ millions)		
Revenue					
Premiums and fee income	6,047	8,776	10,426	2,894	2,901
Premiums ceded to reinsurers	(920)	(1,094)	(1,124)	(335)	(325)
Net premiums and fee income	**5,127**	**7,682**	**9,302**	**2,559**	**2,576**
Investment return	955	1,581	2,137	425	86
Other operating revenue	150	224	258	73	71
Total revenue	**6,232**	**9,487**	**11,697**	**3,057**	**2,733**
Expenses					
Insurance and investment contract benefits	5,362	7,941	9,396	2,525	2,209
Insurance and investment contract benefits ceded	(477)	(646)	(731)	(227)	(120)
Net insurance and investment contract benefits	**4,885**	**7,295**	**8,665**	**2,298**	**2,089**

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
			(US$ millions)		
Commission and commission-related expenses	416	832	1,121	305	356
General expenses	1,010	1,212	1,243	279	268
Finance costs	109	209	184	39	30
Other expenses	155	157	167	48	32
Total expenses	**6,575**	**9,705**	**11,380**	**2,969**	**2,775**
Share of profit/(loss) from associates and joint ventures	7	(1)	9	2	(2)
Profit/(loss) before tax from continuing operations	**(336)**	**(219)**	**326**	**90**	**(44)**
Tax benefit/(expense) from continuing operations	20	(53)	(126)	(33)	(57)
Profit/(loss) from continuing operations after tax	**(316)**	**(272)**	**200**	**57**	**(101)**
Profit/(loss) from discontinued operations, net of tax	**(16)**	**20**	**49**	**49**	**–**
Net profit/(loss)	**(332)**	**(252)**	**249**	**106**	**(101)**
Less:					
Net loss of the Company and Financing Entities	2	36	–	–	–
NON-IFRS MEASURE					
Adjusted net profit/(loss)[(1)]	**(330)**	**(216)**	**249**	**106**	**(101)**
Attributable to:					
Shareholders of the Company	(365)	(268)	188	93	(114)
Perpetual securities	38	65	65	16	13
Non-controlling interests	(3)	(13)	(4)	(3)	–

Note:

(1) Non-IFRS measure. Assuming the Reorganisation was completed as of 1 January 2019. See Note 6.3 to the Accountants' Report included in Appendix I for details.

Revenue

Our total revenue is the sum of premiums and fee income (less premiums ceded to reinsurers), investment return and other operating revenue.

Net premiums and fee income

Our net premiums and fee income represent gross premiums and fee income less premiums ceded to reinsurers. Gross premiums and fee income primarily include premiums on policies written by us and fees collected on insurance contracts issued or renewed for a given period. Premiums ceded to reinsurers represent the portion of gross premiums ceded to reinsurers who share part of the insured risk that we have assumed under insurance contracts underwritten by us pursuant to our reinsurance arrangements. Ceded reinsurance arrangements do not relieve us from our obligations to policyholders. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ millions)		
Revenue					
Premiums and fee income	6,047	8,776	10,426	2,894	2,901
Premiums ceded to reinsurers	(920)	(1,094)	(1,124)	(335)	(325)
Net premiums and fee income	**5,127**	**7,682**	**9,302**	**2,559**	**2,576**

Our net premiums and fee income increased by 0.7% from US$2,559 million in the three months ended 31 March 2021 to US$2,576 million in the three months ended 31 March 2022, which is consistent with the largely unchanged TWPI as explained earlier.

- *Hong Kong (and Macau):* Our net premiums and fee income increased by 15.9%, primarily due to growth of our inforce business and higher single premium sales.

- *Thailand (and Cambodia):* Our net premiums and fee income decreased by 9.6% as growth in our in-force business and sales in protection products was offset by reduced sales in lower margin single premium products.

- *Japan:* Our net premiums and fee income decreased by 9.8% as we continued to pivot away from lower margins, but higher sales volume COLI products, towards individual products.

- *Emerging Markets:* Our net premiums and fee income increased by 11.2%, due to strong underlying growth drivers, including sales through newly established bancassurance partnerships, particularly PTBC in Indonesia and VCB in Vietnam.

Our net premiums and fee income increased by 21.1% from US$7,682 million in 2020 to US$9,302 million in 2021, due to strong growth in our business and acquisitions.

- *Hong Kong (and Macau):* Our net premiums and fee income increased by 54.4%, primarily due to our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020.

- *Thailand (and Cambodia):* Our net premiums and fee income were comparable, with a slight decrease of 1.3% resulting from our ongoing strategic efforts to change the product mix towards protection and higher margin savings products.

- *Japan:* Our net premiums and fee income were comparable with a slight decrease of 1.4% as we continued to pivot away from COLI products.

- *Emerging Markets:* Our net premiums and fee income increased by 55.3%, due to strong underlying growth drivers, including sales through newly established bancassurance partnerships, particularly PTBC in Indonesia and VCB in Vietnam.

Our net premiums and fee income increased by 49.8% from US$5,127 million in 2019 to US$7,682 million in 2020, mainly due to a full year of contribution from SCB Life as well as our organic business growth which powered our resilience to weather the adverse impacts of the COVID-19 pandemic.

- *Hong Kong (and Macau):* Our net premiums and fee income increased by 47.5%, driven by the contribution from the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited and strong onshore sales, which was partially offset by a decline in offshore sales from MCVs resulting from the COVID-19 outbreak and the border closure measures.

- *Thailand (and Cambodia):* Our net premiums and fee income increased by 89.9% as SCB Life contributed four quarters of net premiums and fee income in 2020 versus just the last quarter in 2019, which was partially offset by decline from the novation of the TMB distribution agreement.

- *Japan:* Our net premiums and fee income increased by 18.6%, mainly supported by increased contribution from individual product sales and a one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, which was partially offset by a decline in COLI product sales.

- *Emerging Markets:* Our net premiums and fee income increased by 61.5% as we achieved double-digit growth in net premiums and fee income across all our markets, due to strong underlying growth drivers such as sales through newly established bancassurance channels, particularly PTBC in Indonesia and VCB in Vietnam, which was partially offset by a decline in sales in Singapore due to discontinuation of the employee benefits business in 2019.

Investment return

Our investment return consists of investment income and investment experience, as described under "*– Critical Accounting Policies and Estimates – Investment Return.*" The following table provides a breakdown of our investment return for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ millions)		
Interest income	619	867	938	233	243
Dividend income	82	140	296	55	56
Rental income[1]	21	25	28	6	7
Investment income	**722**	**1,032**	**1,262**	**294**	**306**
Net realised gains/(losses) from debt securities	65	217	123	40	(41)
Impairment of available-for-sale financial assets	(3)	(7)	(4)	–	–

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Net gains/(losses) of available-for-sale financial assets reflected in the consolidated income statement	**62**	**210**	**119**	**40**	**(41)**
Net gains/(losses) of debt securities	7	2	(2)	(2)	(1)
Net gains/(losses) of equity securities	278	346	861	151	(222)
Net fair value movement on derivatives	(81)	9	(486)	(323)	(174)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**204**	**357**	**373**	**(174)**	**(397)**
Net fair value movement of investment property	6	(8)	(5)	–	(1)
Net foreign exchange gains/(losses)	(40)	(33)	385	263	218
Other net realised gains	1	23	3	2	1
Investment experience	**233**	**549**	**875**	**131**	**(220)**
Investment return	**955**	**1,581**	**2,137**	**425**	**86**

Note:

(1) Represents rental income from operating lease contracts of our investment property portfolio.

Our investment return decreased by 79.7% from US$425 million in the three months ended 31 March 2021 to US$86 million in the three months ended 31 March 2022 due to losses from short-term fluctuations in investment return predominantly due to losses in our equity portfolio.

Our investment return increased by 35.2% from US$1,581 million in 2020 to US$2,137 million in 2021 due to the growth in our asset portfolio earning interest income as well as gains from short-term fluctuations in investment return predominantly due to strong performance of our equity portfolio, which was slightly offset by the net fair value decline on bond forwards in Hong Kong resulting from rising interest rates.

Other operating revenue

Our other operating revenue largely consists of commission from reinsurance arrangements as well as asset management and other fees. The following table sets forth our other operating revenue for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2019		2020		2021		2021		2022	
	Other operating revenue	%	Other operating revenue	%	Other operating revenue	%	Other operating revenue	%	Other operating revenue	%
	(US$ millions, except for percentages)									
Commission from reinsurance arrangements	134	89.3	194	86.6	232	89.9	68	92.5	63	89.2
Asset management fees	–	–	10	4.5	17	6.6	4	5.6	5	6.6
Other	16	10.7	20	8.9	9	3.5	1	1.9	3	4.2
Other operating revenue	**150**	**100.0**	**224**	**100.0**	**258**	**100.0**	**73**	**100.0**	**71**	**100.0**

Our other operating revenue decreased by 2.9% from US$73 million in the three months ended 31 March 2021 to US$71 million in the three months ended 31 March 2022, in line with the decline in ceded premiums during the period.

Our other operating revenue increased by 15.4% from US$224 million in 2020 to US$258 million in 2021, due to the increase in ceding commissions from reinsurance arrangements, which reflected increased cession on existing reinsurance arrangements resulting from business growth with reinsurance attached, where the corresponding commissions are ceded to the reinsurers under existing reinsurance arrangements.

Our other operating revenue increased by 48.9% from US$150 million in 2019 to US$224 million in 2020, mainly due to the increase in ceding commissions from reinsurance arrangements, which reflected increased cession on existing reinsurance arrangements resulting from (i) business growth with reinsurance attached, where the corresponding commissions are ceded to the reinsurers under existing reinsurance arrangements, (ii) shift in product focus in Japan to individual products for which we raised the cession ratio in late 2019, and (iii) an upfront initial commission received on a new co-insurance arrangement in Hong Kong in 2020.

Revenue by product

The following table sets forth a breakdown of our revenue by product category:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Revenue					
Participating life	1,574	2,588	4,368	957	954
Non-participating life	2,465	3,761	3,969	1,172	962
Critical illness, term life, medical and riders	607	1,109	1,180	269	297
Unit-linked	592	850	978	214	157
Group	229	396	421	135	130
COLI	684	708	714	277	230
Others(1)	81	75	67	33	3
Total revenue	**6,232**	**9,487**	**11,697**	**3,057**	**2,733**

Note:

(1) Others include non-life premium and investment income from shareholder funds not directly attributable to products.

Expenses

Our total expenses comprise net insurance and investment contract benefits, commission and commission-related expenses, general expenses and finance costs and other expenses.

Net Insurance and Investment Contract Benefits

Our net insurance and investment contract benefits consist of insurance contract benefits, change in insurance contract liabilities and investment contract benefits, less insurance and investment contract benefits ceded. The following table provides a breakdown of our net insurance and investment contract benefits for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Insurance contract benefits	2,200	3,301	3,677	906	935
Change in insurance contract liabilities	3,140	4,596	5,708	1,617	1,274
Investment contract benefits	22	44	11	2	–
Insurance and investment contract benefits	**5,362**	**7,941**	**9,396**	**2,525**	**2,209**
Insurance and investment contract benefits ceded	(477)	(646)	(731)	(227)	(120)
Net insurance and investment contract benefits	**4,885**	**7,295**	**8,665**	**2,298**	**2,089**

Our net insurance and investment contract benefits decreased by 9.1%, from US$2,298 million in the three months ended 31 March 2021 to US$2,089 million in the three months ended 31 March 2022, due to the continued growth of our business and in particular from the increase in net premium and fee income from Hong Kong.

- *Hong Kong (and Macau):* Our net insurance and investment contract benefits decreased by 9.7%, from US$840 million in the three months ended 31 March 2021 to US$758 million in the three months ended 31 March 2022, mainly driven by decrease in changes in insurance contract liabilities as a result of underperformance in international and Hong Kong stock markets leading to a drop in participating life and unit-linked liability.

- *Thailand (and Cambodia):* Our net insurance and investment contract benefits decreased by 14%, from US$786 million in the three months ended 31 March 2021 to US$677 million in the three months ended 31 March 2022, mainly driven by foreign exchange movement as Thai Baht depreciated against USD.

- *Japan:* Our net insurance and investment contract benefits decreased by 10.7%, from US$519 million in the three months ended 31 March 2021 to US$463 million in the three months ended 31 March 2022, mainly driven by depreciation of Japanese Yen against USD.

- *Emerging Markets:* Our net insurance and investment contract benefits increased by 25.3%, from US$152 million in the three months ended 31 March 2021 to US$191 million in the three months ended 31 March 2022, reflecting the strong growth across our markets.

Our net insurance and investment contract benefits increased by 18.8%, from US$7,295 million in 2020 to US$8,665 million in 2021, due to the continued growth of our business and in particular from the increase in net premium and fee income from Hong Kong.

- *Hong Kong (and Macau):* Our net insurance and investment contract benefits increased by 44.9%, from US$2,584 million in 2020 to US$3,745 million in 2021, primarily as a result of the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited.

- *Thailand (and Cambodia):* Our net insurance and investment contract benefits decreased by 0.3%, from US$2,419 million in 2020 to US$2,412 million in 2021, mainly driven by foreign exchange movement as Thai Baht depreciated significantly against USD in 2021 compared to a mild depreciation in 2020.

- *Japan:* Our net insurance and investment contract benefits decreased slightly by 1.5%, from US$1,676 million in 2020 to US$1,650 million in 2021 mainly driven by depreciation of Japanese Yen against USD.

- *Emerging Markets:* Our net insurance and investment contract benefits increased by 39.2%, from US$617 million in 2020 to US$859 million in 2021, reflecting the strong growth across our markets.

Our net insurance and investment contract benefits increased by 49.4%, from US$4,885 million in 2019 to US$7,295 million in 2020, mainly due to the increase in net premiums and fee income resulting from the contribution from SCB Life for a full year in 2020 and, to a lesser extent, the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited and of in-force policies in Hong Kong (and Macau) and Japan.

- *Hong Kong (and Macau):* Our net insurance and investment contract benefits increased by 43.7%, from US$1,797 million in 2019 to US$2,584 million in 2020, mainly as a result of the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, as well as an increase in the number of in-force policies in Hong Kong, partially offset by a decline in offshore policy contracts from MCVs due to border restrictions.

- *Thailand (and Cambodia):* Our net insurance and investment contract benefits increased by 88.4%, from US$1,284 million in 2019 to US$2,419 million in 2020, driven by the contribution from SCB Life for the full year in 2020 as compared to only the last quarter in 2019, partially offset by lower benefits as a result of the novation of the TMB distribution agreement.

- *Japan:* Our net insurance and investment contract benefits increased by 15.4%, from US$1,452 million in 2019 to US$1,676 million in 2020, primarily due to an increased contribution from individual product sales, but partially offset by the decline in COLI and certain other products.

- *Emerging Markets:* Our net insurance and investment contract benefits increased by 76.0%, from US$351 million in 2019 to US$617 million in 2020, mainly reflecting the strong growth in our premiums from both in-force policies and new business across our Emerging Markets.

The following table sets forth a breakdown of our net insurance and investment contract benefits by product category:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Participating life	1,290	2,033	3,496	777	788
Non-participating life	2,063	3,184	2,969	944	846
Critical illness, term life, medical and riders	383	669	682	151	184
Unit-linked	558	782	922	195	54
Group	105	128	156	61	80
COLI	444	457	436	166	136
Others[1]	42	42	4	4	1
Total net insurance and investment contract benefits	**4,885**	**7,295**	**8,665**	**2,298**	**2,089**

Note:

(1) Others include non-life insurance contract benefits.

Commission and Commission-related Expenses

Our commission and commission-related expenses consist of commission and other acquisition expenses incurred and deferral and amortisation of acquisition expenses. The commission and other acquisition expenses relate to commissions we pay to our agents, bank partners, IFAs and other distribution partners upon the issuance of a policy to customers, renewal commissions upon policy renewals, production bonuses, and any other costs that we incur to acquire a customer. The following table provides a breakdown of our commission and commission-related expenses for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Commission and other acquisition expenses incurred	1,249	1,525	1,648	442	452
Deferral and amortisation of acquisition expenses	(833)	(693)	(527)	(137)	(96)
Commission and commission-related expenses	**416**	**832**	**1,121**	**305**	**356**

Our commission and commission-related expenses increased by 16.7%, from US$305 million in the three months ended 31 March 2021 to US$356 million in the three months ended 31 March 2022 due to higher amortisation of commissions which was a result of strong sales of single premium products in Hong Kong.

Our commission and commission-related expenses increased by 34.7%, from US$832 million in 2020 to US$1,121 million in 2021 due to higher deferral of acquisition costs, which refers to the recognition of acquisition costs over a period of time based on the nature of the income stream. This increase is commensurate with the growth in our business, which was partially offset by appreciation of USD against most currencies during 2021.

Our commission and commission-related expenses increased by 100.0%, from US$416 million in 2019 to US$832 million in 2020, mainly due to a full year of contribution from SCB Life and higher net deferral of acquisition costs. The costs were higher due to the growth of our business through both organic growth and acquisitions, and were partially offset by an adjustment to deferred acquisition cost in Hong Kong of US$136 million driven by agent termination, as well as a decline in persistency resulting from the economic impact of the COVID-19 pandemic and the implementation of VHIS.

General Expenses

Our general expenses consist of: (i) employee benefits expenses, (ii) depreciation, (iii) amortisation, (iv) marketing and advertising, (v) professional service fees, (vi) information technology expenses, (vii) operating lease rentals, and (viii) other general expenses. The following table provides a breakdown of our general expenses for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Employee benefits expenses	439	624	584	140	145
Depreciation	70	78	75	20	16
Amortisation	24	42	31	12	7
Marketing and advertising	83	55	58	9	10
Professional service fees	114	165	176	28	26
Information technology expenses	100	121	154	31	33
Operating lease rentals	7	6	5	1	1
Other general expenses[(1)]	173	121	160	38	30
General expenses	**1,010**	**1,212**	**1,243**	**279**	**268**

Note:

(1) Consists of travel and entertainment, bank charges, tax related expenses, office related expenses and other general operating expenses.

Our general expenses decreased by 4.0%, from US$279 million in the three months ended 31 March 2021 to US$268 million in the three months ended 31 March 2022, primarily due to the controlled cost measures we have put in place.

Our general expenses increased by 2.6%, from US$1,212 million in 2020 to US$1,243 million in 2021, primarily due to the increase in professional service fees and information technology expenses to support our preparation of the [**REDACTED**], one-off transfer tax related to restructuring of BRI Life, and expedited write-off of certain fixed assets. This increase was offset by decline in integration costs incurred in line with the completion of the VCLI, PT Commonwealth Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited acquisitions and decrease in employee benefit expenses.

Our general expenses increased by 20.0% from US$1,010 million in 2019 to US$1,212 million in 2020, mainly due to one-off acquisition and related integration costs, [**REDACTED**]-related costs and IFRS and risk-based capital preparation costs, contribution of expense by SCB Life for a full year in 2020 compared to one quarter in 2019 and higher investment in staff and infrastructure to support our business growth.

These were partially offset by a reduction in marketing and advertising expenses and other expenses across the region resulting from increasing digitalisation of our operations and general cost saving measures implemented in response to the COVID-19 pandemic.

Our general expenses can be further broken down into (i) operating expenses, which mainly comprise of general expenses related to the daily operations of our business, and (ii) non-operating expenses, which mainly comprise of (a) M&A, business set-up and restructuring costs, (b) implementation costs for IFRS 9 and 17 and Group-wide supervision, and (c) [**REDACTED**]-related costs, including incentive costs, as set forth below.

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Operating expenses	836	978	995	245	225
Non-operating expenses	174	234	248	34	43
Total general expenses	**1,010**	**1,212**	**1,243**	**279**	**268**

Finance Costs

Our finance costs consist of borrowings, lease liabilities and other finance costs. The following table provides a breakdown of our finance costs for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Borrowings	94	168	124	30	23
Lease liabilities	6	6	5	1	1
Others	9	35	55	8	6
Total finance costs	**109**	**209**	**184**	**39**	**30**

Our finance costs decreased by 23.6%, from US$39 million in the three months ended 31 March 2021 to US$30 million in the three months ended 31 March 2022, primarily due to the repayment of bank borrowings during 2021 which resulted in lower interest payments.

Our finance costs decreased by 12.4%, from US$209 million in 2020 to US$184 million in 2021, primarily due to the settlement and transfer of borrowings and guaranteed notes to PCGI Holdings during December 2020, the decrease in LIBOR which had an impact on the interest incurred and the repayment of bank borrowings in 2021, offset by the accretion of interest on the obligation under our distribution agreement with SCB where we brought forward the contingent payment due to outperformance of the partnership against the stated business plan.

Our finance costs increased by 91.5% from US$109 million in 2019 to US$209 million in 2020, mainly due to (i) additional bank borrowings of US$1,240 million in 2020, including US$800 million in March 2020 and US$440 million in October 2020, and a full year of interest on bank borrowings, subordinated notes and guaranteed notes entered into in 2019, part of which had been repaid as of 31 December 2020 and (ii) accretion of interest on obligations under our distribution agreements with SCB, PTBC and VCB.

Other Expenses

Our other expenses consist of: (i) investment management expenses and others, (ii) amortisation of value of business acquired, and (iii) non-operating expenses. The following table provides a breakdown of our other expenses for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Investment management expenses and others	47	62	66	15	16
Amortisation of value of business acquired	31	82	99	33	16
Others	77	13	2	–	–
Total other expenses	**155**	**157**	**167**	**48**	**32**

Our other expenses decreased by 32.7%, from US$48 million in the three months ended 31 March 2021 to US$32 million in the three months ended 31 March 2022, primarily due to the decline in VOBA amortisation from Hong Kong.

Our other expenses increased by 6.9%, from US$157 million in 2020 to US$167 million in the same period in 2021, primarily due to the full period amortisation of VOBA resulting from our acquisitions in Vietnam, Indonesia and Hong Kong.

Our other expenses increased by 1.0% from US$155 million in 2019 to US$157 million in 2020, mainly due to the increase in investment management expenses and ongoing amortisation of existing VOBA which included a full year of amortisation for SCB Life in 2020 as well as the implementation of VHIS, which was offset by the decline in other non-operating items (primarily due to the impairment charge of US$63 million reflected in 2019 for the novation of distribution agreement with TMB).

Share of profit/(loss) from associates and joint ventures

Our Profit/(loss) from associates and joint ventures primarily relates to our investment in OGS in the years ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2022 and certain other associates.

The following table provides a breakdown of our Profit/(loss) from associates and joint ventures for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Net profit/(loss) from interest in associates	(2)	(2)	(15)	(1)	(2)
Net profit/(loss) from interest in OGS	9	1	24	3	–
Total share of profit/(loss) from associates and joint ventures	**7**	**(1)**	**9**	**2**	**(2)**

Our share of profit/(loss) from associates and joint ventures changed from a profit of US$2 million in the three months ended 31 March 2021 to a loss of US$2 million in the three months ended 31 March 2022, primarily due to the reduction of profit from interest in OGS post disposal of its investment property in 2021, and a loss associated with our investment in BRI Life in the three months ended 31 March 2022.

Our share of profit/(loss) from associates and joint ventures changed from a loss of US$1 million in 2020 to a profit of US$9 million in 2021, due to the profit from interest in OGS, which was offset by loss associated with our investment in BRI Life, in which we completed the subscription of a 29.86% stake on 2 March 2021.

Our share of profit/(loss) from associates and joint ventures changed from a profit of US$7 million in 2019 to a loss of US$1 million in 2020, mainly due to foreign exchange revaluation loss on property held by OGS as the SGD depreciated against the US dollar.

On 9 December 2021, OGS completed a transaction to dispose of its investment property to a third party. Immediately after the disposal, management determined the recoverable amount of investment in OGS to be the carrying amount of the net assets. Accordingly, the investment amount in OGS is adjusted by US$39 million. See Note 13 to the Accountants' Report included in Appendix I for details.

Adjusted operating profit before tax (non-IFRS measure)

Adjusted operating profit before tax, a non-IFRS measure as described below, represents our profit from continuing operations after tax, less certain non-operating items, further adjusted for taxes and net loss of the Company and Financing Entities to give effect to the Reorganisation.

As further described in Note 6.2 to the Accountants' Report included in Appendix I, the long-term nature of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "adjusted operating profit". Adjusted operating profit, a non-IFRS measure, is provided to assist in the comparison of business trends in different reporting periods on a consistent basis and to enhance overall understanding of financial performance. The Group considers that trends can be more clearly identified without the significant impact of the amortisation of VOBA, the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities, and the fluctuating effects of other non-operating items which are largely dependent on market factors. Profit/(loss) from continuing operations after tax is reconciled to the adjusted operating profit before tax as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Profit/(loss) from continuing operations after tax	**(316)**	**(272)**	**200**	**57**	**(101)**
Net loss of the Company and Financing Entities[1]	2	36	–	–	–
NON-IFRS MEASURE					
Adjusted net profit/(loss) from continuing operations after tax (non-IFRS measure)	**(314)**	**(236)**	**200**	**57**	**(101)**
Tax on adjusted operating profit before tax	34	50	52	15	12
Tax impact from non-operating items	(54)	3	74	18	45

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Adjusted profit/(loss) before tax from continuing operations (non-IFRS measure)	**(334)**	**(183)**	**326**	**90**	**(44)**
Non-operating items, net of related changes in insurance and investment contract liabilities:					
Short-term fluctuations in investment return related to equities and property investments	(40)	104	(503)	(126)	109
Other non-operating investment return(2)	55	(233)	(39)	25	(35)
Finance costs related to borrowings and long-term payables(3)	99	162	174	37	27
Amortisation of value of business acquired	31	82	100	33	16
M&A, business set up and restructuring related costs	100	151	104	15	19
[**REDACTED**]-related costs including incentive costs	2	40	73	10	12
Other non-operating items(4)	116	(22)	(59)	(3)	3
Adjusted operating profit before tax (non-IFRS measure)	**29**	**101**	**176**	**81**	**107**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	18	24	29	7	10
Segmental adjusted operating profit before tax (non-IFRS measure)	**47**	**125**	**205**	**88**	**117**

Notes:

(1) Represents the results and certain balances resulted from the Reorganisation as described in Note 1.2.2 and Note 6.3 to the Accountants' Report included in Appendix I.

(2) Comprises realised gains/losses on the disposal of debt securities, loans and deposits and gains/losses on fair value movements of derivatives.

(3) See Note 6.3 to the Accountants' Report included in Appendix I for additional details on finance costs, including breakdown by purpose.

(4) Primarily consists of impact of the novation of the TMB distribution agreement and non-core business set up and separation costs in 2019 and 2020.

Our loss from continuing operations after tax was US$101 million in the three months ended 31 March 2022 compared to a profit of US$57 million in the three months ended 31 March 2021 primarily due to the loss in short-term fluctuations in investment return related to the fair value loss of the equity portfolio as a result of global equity market volatility.

Our profit from continuing operations after tax was US$200 million in 2021 compared to a loss of US$272 million in 2020 primarily due to the gain in short-term fluctuations in investment return related to equities and property investments, driven by strong performance from the equity portfolio.

Our loss from continuing operations after tax decreased by 13.9% from US$316 million in 2019 to US$272 million in 2020, mainly due to the gain in other non-operating investment return related to significant realised gain from sale of investments in Thailand and Hong Kong during 2020, which were partially offset by an increase in financing costs primarily as a result of additional bank borrowings and an increase in the net loss to the Company and the Financing Entities.

Income tax benefit/(expense) from continuing operations

We are subject to income tax on an entity basis on profits arising in or derived from the markets or jurisdictions in which we operate. During the Track Record Period, we were subject to statutory corporate income tax rates of 16.5%, 20.0% and 28.0% in relation to our operations in Hong Kong, Thailand and Japan, respectively. In the other jurisdictions in which we operate, we were subject to average corporate income tax rates ranging from 12.0% (Macau) to 30.0% (the Philippines) during that period. In the Philippines, the corporate income tax rate changed to 25.0% in 2021 with retrospective effect from 1 July 2020. Specifically, new subsidiaries of varying sizes and applicable statutory tax rates have been added to our Group in different countries across each reporting period. We recorded tax benefits from continuing operations of US$20 million in 2019, a tax expense of US$53 million and US$126 million in 2020 and 2021, respectively and a tax expenses of US$33 million and US$57 million in the three months ended 31 March 2021 and 2022 due to the increase in profitability of the Group. Additionally, as we operate across relatively more mature markets and emerging markets, our consolidated results during the three years ended 31 December 2021 and the three months ended 31 March 2022 comprised both profit-making and loss-making entities, which results in offsetting effects that impacted our combined effective tax rates during the reporting periods. Our annual average tax has changed year over year as taxes are determined at the individual country level and then aggregated and as a result, as our geographic mix changes, the overall tax rate also changes.

The table below reflects the principal rates of corporate income tax as the end of each year. The rates reflect enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
Hong Kong	16.5%	16.5%	16.5%	16.5%	16.5%
Thailand	20%	20%	20%	20%	20%
Japan	28%	28%	28%	28%	28%
Others	12% – 30%	12% – 30%	12% – 25%	12% – 25%	12% – 25%

Profit/(loss) from discontinued operations, net of tax

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Pension business	2	2	9	9	–
General insurance business	(18)	18	40	40	–
Profit/(loss) from discontinued operations, net of tax	**(16)**	**20**	**49**	**49**	**–**

Our profit from discontinued operations decreased from US$49 million in the three months ended 31 March 2021 to nil in the three months ended 31 March 2022, as we had completed the disposal of our discontinued businesses in 2021.

Our profit from discontinued operations increased from US$20 million in 2020 to a profit of US$49 million in 2021, due to (i) the US$10 million gain recognised on the disposal of the pension business on 1 February 2021 and (ii) the US$11 million gain recognised on the disposal of the GI Disposal Group to a related party on 3 February 2021 and US$30 million received from the related party as a reimbursement and settlement of expenses incurred in 2018 and 2019. For more information, see Note 35 to the Accountants' Report included in Appendix I.

Our profit/(loss) from discontinued operations changed from a loss of US$16 million in 2019 to a profit of US$20 million in 2020, mainly due to a gain from the sale of the general insurance business in Hong Kong.

Segment Information

This section provides performance highlights for each of our reporting segments: Hong Kong (and Macau), Thailand (and Cambodia), Japan, Emerging Markets and, where applicable, Corporate and Others.

Hong Kong (and Macau)

	For the year ended/ As of 31 December			For the three months ended/As of 31 March	
	2019	2020	2021	2021	2022
	(US$ millions, except for percentages)				
TWPI(1)	1,443	1,730	1,888	444	447
APE(2)	431	372	474	123	117
Onshore	224	281	346	84	78
Offshore	207	91	127	39	38
VNB(3)	170	167	205	41	43
Onshore	90	146	185	37	31
Offshore	81	21	20	4	12
Segmental adjusted operating profit before tax (non-IFRS measure)(1)	128	141	187	50	32
Allocated segment assets	17,027	22,669	24,638	N/A	24,019
Ratios:					
Expense ratio	13.4%	11.3%	11.7%	11.5%	12.9%
VNB margin(3)	39.6%	45.0%	43.2%	33.1%	37.1%

Notes:

(1) See Notes 6.1 and 6.4 to the Accountants' Report included in Appendix I for more details.

(2) Operational performance measure.

(3) Actuarial performance measures.

TWPI in Hong Kong (and Macau) increased by 0.8% from US$444 million in the three months ended 31 March 2021 to US$447 million in the three months ended 31 March 2022, primarily due to the growth in renewal premiums from higher in-force business growth which offset the decline in our new business due to increased COVID-19 restrictions. TWPI in Hong Kong (and Macau) increased by 9.1% from US$1,730 million in 2020 to US$1,888 million in 2021, primarily due to our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong. TWPI in Hong Kong (and Macau) increased by 19.8% from US$1,443 million in 2019 to US$1,730 million in 2020, mainly due to our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited and new business expansion, particularly from increased sales to onshore customers.

APE in Hong Kong (and Macau) decreased by 4.9% from US$123 million in the three months ended 31 March 2021 to US$117 million in the three months ended 31 March 2022, primarily due to the tightened COVID-19 restrictions imposed in Hong Kong. APE in Hong Kong (and Macau) increased by 27.4% from US$372 million in 2020 to US$474 million in 2021, primarily due to the recovery of our offshore business as well as continued growth in our onshore business. APE in Hong Kong (and Macau) decreased by 13.7% from US$431 million in 2019 to US$372 million in 2020, mainly due to decreased demand for insurance products from MCVs as a result of the COVID-19 pandemic and border control measures. While sales to offshore customers declined by 56.2%, our onshore business demonstrated resilience with a 25.5% growth. On a CER basis, our APE growth rates in Hong Kong (and Macau) across the time periods mentioned above are the same as on an AER basis.

VNB in Hong Kong (and Macau) increased by 6.8% from US$41 million in the three months ended 31 March 2021 to US$43 million in the three months ended 31 March 2022, due to the increase in margins as a result of favourable product mix shift as well as margin improvement from repricing some of our key savings products VNB in Hong Kong (and Macau) increased by 22.2% from US$167 million in 2020 to US$205 million in 2021, due to the strong growth in APE as described above and the significant increase in the profitability of our products sold in the onshore segment as we continued the product mix shift towards protection products, which more than offset the decline in margins in our offshore business driven primarily by higher campaign costs. VNB in Hong Kong (and Macau) decreased by 1.8% from US$170 million in 2019 to US$167 million in 2020, mainly due to the decline in APE which was partially offset by the increase in the proportion of protection products and thereby VNB margin. VNB margin increased from 33.1% in the three months ended 31 March 2021 to 37.1% in the three months ended 31 March 2022 due to the factors highlighted above for the growth in APE and VNB, whereas Protection VNB decreased by 21.2% in the three months ended 31 March 2022 compared to the three months ended 31 March 2021. VNB margin decreased from 45.0% in 2020 to 43.2% in 2021 due to the factors highlighted above for the growth in APE and VNB. Accordingly, Protection VNB grew by 23.1% from 2020 to 2021. VNB margin in Hong Kong (and Macau) was 39.6% and 45.0% in 2019 and 2020, respectively, and our Protection VNB grew by 11.5% from 2019 to 2020. On a CER basis, our VNB growth rates in Hong Kong (and Macau) across time periods mentioned above are same as on AER basis.

Segmental adjusted operating profit before tax (non-IFRS measure) in Hong Kong (and Macau) decreased by 34.3% from US$50 million in the three months ended 31 March 2021 to US$32 million in the three months ended 31 March 2022, due to the lower investment return, higher expense from additional compensation expense, lower mortality and morbidity margins and lower surrender margins. Segmental adjusted operating profit before tax (non-IFRS measure) in Hong Kong (and Macau) increased by 32.7% from US$141 million in 2020 to US$187 million in 2021, due to the strong growth of our business, higher investment returns resulting from growth in our asset base as well as our expense ratio remaining largely stable. Segmental adjusted operating profit before tax (non-IFRS measure) in Hong Kong (and Macau) remained relatively stable at US$128 million and US$141 million in 2019 and 2020, respectively.

The expense ratio was 12.9% in the three months ended 31 March 2022 compared to 11.5% in the three months ended 31 March 2021, primarily due to additional compensation expense. The expense ratio was 11.7% in 2021 compared to 11.3% in 2020, due to the expense control measures we have undertaken that helped us control costs while growing the business and the increase in 2021 was driven by higher campaign costs. The expense ratio in Hong Kong (and Macau) was 11.3% in 2020 compared to 13.4% in 2019 primarily due to our expense control under the COVID-19 pandemic and higher TWPI generated from the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited.

Allocated segment assets in Hong Kong (and Macau) were US$17,027 million, US$22,669 million, US$24,638 million and US$24,019 million as of 31 December 2019, 2020, 2021 and the three months ended 31 March 2022. The increase in allocated segment assets in Hong Kong (and Macau) mainly reflects the growth of the Hong Kong business and the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited.

For a discussion of our operations in Hong Kong (and Macau), see "*Business – Our Operations in Our Geographic Markets – Hong Kong (and Macau).*"

Thailand (and Cambodia)

	For the year ended/ As of 31 December			For the three months ended/As of 31 March	
	2019	2020	2021	2021	2022
	(US$ millions, except for percentages)				
TWPI[1]	1,140	2,255	2,249	733	693
APE[2]	266	616	462	165	145
TMB	139	86	–	–	–
SCB[3]	57	434	362	141	115
Others	71	96	100	24	30
VNB[4]	65	183	217	69	72
TMB	34	20	–	–	–
SCB[3]	11	127	170	60	58
Others	21	36	47	10	14
Segmental adjusted operating profit before tax (non-IFRS measure)[1]	41	86	144	32	37
Allocated segment assets	21,137	22,475	20,066	N/A	19,816
Ratios:					
Expense ratio	11.2%	9.8%	9.4%	7.2%	7.8%
VNB margin[4]	24.5%	29.7%	47.0%	42.0%	49.8%

Notes:

(1) See Notes 6.1 and 6.4 to the Accountants' Report included in Appendix I for more details.

(2) Operational performance measure.

(3) Business generated through SCB and other distribution networks of SCB Life.

(4) Actuarial performance measures.

TWPI in Thailand (and Cambodia) increased by 3.3% on a CER basis (decreased by 5.4% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022 primarily due to the growth of renewal premiums from our in-force business. TWPI in Thailand (and Cambodia) slightly decreased by 0.2% from US$2,255 million in 2020 to US$2,249 million in the same period in 2021, due to the decline in new business sales as we continued our focus on building value in our new business portfolio by focusing on protection and higher margin savings products. TWPI in Thailand (and Cambodia) increased by 97.8% from US$1,140 million in 2019 to US$2,255 million in 2020, mainly due to the sales contribution of SCB Life for a full year, robust growth in renewal premiums and higher bancassurance sales through SCB.

APE in Thailand (and Cambodia) decreased by 4.2% on a CER basis (12.2% on an AER basis) from US$165 million in the three months ended 31 March 2021 to US$145 million in the three months ended 31 March 2022, due to the decline in APE from SCB due to impact of COVID-19 with a large number of sales staff being in quarantine in Thailand. APE in Thailand (and Cambodia) decreased by 24.0% on a CER basis (25.0% on an AER basis) from US$616 million in 2020 to US$462 million in 2021, due to (i) the decline in APE from SCB as we undertook a change in product mix to sell more protection and higher margin savings products and (ii) the termination of our TMB partnership on 31 December 2020. Excluding the TMB partnership, APE in Thailand (and Cambodia) decreased by 11.7% on a CER basis (12.8% on an AER basis) in 2021 compared to 2020. APE in Thailand (and Cambodia) increased by 133.2% on a CER basis (131.2% on an AER basis) from US$266 million in 2019 to US$616 million in 2020, mainly due to the sales contribution of SCB Life for a full year, despite the adverse market conditions and restrictions on face-to-face sales across our distribution channels due to the COVID-19 pandemic and the decline in sales from TMB.

VNB in Thailand (and Cambodia) increased by 13.7% on a CER basis (4.1% on an AER basis) from US$69 million in the three months ended 31 March 2021 to US$72 million in the three months ended 31 March 2022, due to higher mix of higher margin products. VNB in Thailand (and Cambodia) increased by 20.5% on a CER basis (18.8% on an AER basis) from US$183 million in 2020 to US$217 million in 2021, due to our shift to higher margin products coupled with higher protection sales, which more than offset the decline in new business sales. VNB in Thailand (and Cambodia) increased by 182.2% on a CER basis (179.8% on an AER basis) from US$65 million in 2019 to US$183 million in 2020, due to the increase in both sales and margins of our overall business as well as from the SCB partnership which contributed only to the last quarter in 2019 versus a full year in 2020. VNB margin increased from 42.0% in the three months ended 31 March 2021 to 49.8% in the three months ended 31 March 2022, due to the reasons explained above for the changes in APE and VNB. Accordingly, Protection

VNB grew by 10.4% on a CER basis (1.2% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022. VNB margin increased from 29.7% in 2020 to 47.0% in 2021, due to the reasons explained above for the changes in APE and VNB. Accordingly, Protection VNB grew by 186.6% on a CER basis (185.3% on an AER basis) from 2019 to 2020 and by 31.4% on a CER basis (28.8% on an AER basis) from 2020 to 2021. VNB margin increased from 24.5% in 2019 to 29.7% in 2020, primarily reflecting the product replacement and repricing we undertook in 2019. The product replacement and repricing involved a reduction in product guarantees on endowments, the introduction of new unit-linked products and a shift towards products with higher protection coverage and consequently with a higher protection ratio.

Excluding the VNB generated from the TMB partnership which ended on 31 December 2020, our VNB in Thailand (and Cambodia) increased by 35.1% on a CER basis (33.2% on an AER basis) from US$163 million in 2020 to US$217 million in 2021, due to the increase in margins of our business from SCB and that from our agency and brokerage channels. Excluding the VNB generated from the TMB partnership which ended on 31 December 2020 and the SCB partnership which we entered into in 2019 concurrently with our acquisition of SCB Life and other distribution networks of SCB Life, our VNB in Thailand increased by 75.8% on a CER basis (75.1% on an AER basis) from US$21 million in 2019 to US$36 million in 2020, mainly due to the growth in our business from our agency and brokerage channels and shift towards protection products. Our VNB margin in Thailand (and Cambodia) excluding the TMB partnership was 47.0% in 2021 compared to 30.7% in 2020. Our VNB margin in Thailand (and Cambodia) excluding the TMB partnership, SCB partnership and other distribution networks of SCB Life was 29.1% and 37.4% in 2019 and 2020, respectively. The gradual increase in such VNB margin primarily reflected (i) margin improvements due to an increasing focus on protection and the repricing and improvements to product mix in response to lower interest rates, and (ii) the introduction of our neo-insurance channel in Thailand in 2019. Further, excluding VNB from our SCB partnership, our VNB decreased by 13.2% on a CER basis (15.7% on an AER basis) from 2020 to 2021 and increased by 2.8% on a CER basis (2.0% on an AER basis) from 2019 to 2020.

Segmental adjusted operating profit before tax (non-IFRS measure) in Thailand (and Cambodia) increased by 26.1% on a CER basis (15.5% on an AER basis) from US$32 million in the three months ended 31 March 2021 to US$37 million in the three months ended 31 March 2022, primarily due to higher deferred acquisition expense and higher surrender margins. Segmental adjusted operating profit before tax (non-IFRS measure) in Thailand (and Cambodia) increased by 69.1% on a CER basis (65.3% on an AER basis) from US$86 million in 2020 to US$144 million in 2021, primarily due to higher investment return. Segmental adjusted operating profit before tax (non-IFRS measure) in Thailand (and Cambodia) increased by 113.1% on a CER basis (110.8% on an AER basis) from US$41 million in 2019 to US$86 million in 2020, mainly due to higher operating investment yields, the sales contribution of SCB Life for a full year which contributed to economies of scale and higher operating efficiency, as well as a lower number of claims due to decreased hospital visits as a result of the COVID-19 pandemic.

The expense ratio was 7.8% in the three months ended 31 March 2022 compared to 7.2% in the three months ended 31 March 2021, due to higher marketing spend. The expense ratio was 9.4% in 2021 compared to 9.8% in 2020, due to the continued realisation of synergies from the integration of SCB Life, combined with ongoing savings in a more efficient operating environment. The expense ratio decreased from 11.2% in 2019 to 9.8% in 2020, primarily reflecting (i) the acquisition of SCB Life which allowed us to benefit from economies of scale and (ii) tighter expense control as we went through the amalgamation of SCB Life and FWD Thailand.

Allocated segment assets in Thailand (and Cambodia) were US$21,137 million, US$22,475 million, US$20,066 million and US$19,816 million, as of 31 December 2019, 2020, 2021 and the three months ended 31 March 2022, respectively. The increase in allocated segment assets in Thailand (and Cambodia) in 2020 mainly reflects the increase in the scale of our business, particularly as a result of the acquisition of SCB Life. The decrease in 2021 and in the three months ended 31 March 2022 was mainly due to a decrease in the fair value of available for sale financial assets as a result of an increase in interest yield, and foreign currency translation movements driven by appreciation of the USD against the Thai Bhat.

For a discussion of our operations in Thailand (and Cambodia), see "*Business – Our Operations in Our Geographic Markets – Thailand (and Cambodia).*"

Japan

	For the year ended/ As of 31 December			**For the three months ended/As of 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions, except for percentages)				
TWPI[(1)]	1,801	2,131	2,105	677	611
APE[(2)]	270	507	209	53	53
Individual	95	123	130	33	36
COLI	176	149	80	21	17
Retrocession reinsurance	–	236	–	–	–
VNB[(3)]	210	188	131	36	37
Individual	76	95	102	28	30
COLI	134	38	29	7	7
Retrocession reinsurance	–	56	–	–	–
Segmental adjusted operating profit before tax (non-IFRS measure)[(1)]	71	100	97	59	71
Allocated segment assets	10,618	12,970	13,083	N/A	12,787
Ratios:					
Expense ratio	14.5%	12.4%	10.6%	9.5%	7.8%
VNB margin[(3)]	77.7%	37.1%	62.6%	67.1%	69.5%

Notes:

(1) See Notes 6.1 and 6.4 to the Accountants' Report included in Appendix I for more details.

(2) Operational performance measure.

(3) Actuarial performance measures.

TWPI in Japan decreased by approximately 1% on a CER basis (9.7% on an AER basis) from US$677 million in the three months ended 31 March 2021 to US$611 million in the three months ended 31 March 2022. TWPI in Japan decreased by 1.2% from US$2,131 million in 2020 to US$2,105 million in 2021, primarily due to the decline in first year premiums resulting from continued reduced demand of COLI products and the one-off retrocession reinsurance arrangement with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, offset by higher than expected individual product sales and as the in-force book continued to see growth driven by stable persistency. TWPI in Japan increased by 18.3% from US$1,801 million in 2019 to US$2,131 million in 2020, mainly due to increased contributions from individual product sales and a one-off retrocession reinsurance arrangement with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, which was partially offset by the reduced demand of COLI products and our strategic shift to individual products as a result of the tax rule change in February 2019, which significantly reduced COLI-related tax benefits for corporate customers.

APE in Japan increased by 9.8% on a CER basis (0.1% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022, due to the continued pivot towards individual products while the COLI business plateaued. APE in Japan decreased by 57.2% on a CER basis (58.7% on an AER basis) from US$507 million in 2020 to US$209 million in 2021, due to the one-off retrocession reinsurance arrangement with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, as well as the continued shift away from COLI products, which were impacted by the taxation rule changes, partially offset by the continued focus on individual protection products. APE in Japan increased by 82.1% on a CER basis (87.7% on an AER basis) from US$270 million in 2019 to US$507 million in 2020, mainly due to our one-off retrocession reinsurance business with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020 and sales of individual products.

VNB in Japan increased by 13.8% on a CER basis (3.8% on an AER basis) from US$36 million in the three months ended 31 March 2021 to US$37 million in the three months ended 31 March 2022 due to higher sales of individual protection products and margin improvement of our COLI business. VNB in Japan decreased by 27.9% on a CER basis (30.4% on an AER basis) from US$188 million in 2020 to US$131 million in 2021 due to a one-off impact of one-off retrocession reinsurance in 2020 as described above, partially offset by the continued shift towards more profitable individual protection products as well as margin improvement in both individual protection and COLI products. VNB in Japan decreased by 13.0% on a CER basis (10.4% on an AER basis) from US$210 million in 2019 to US$188 million in 2020, mainly due to a decrease in sales of COLI products on account of the tax regulation changes and change of product mix, including the one-off retrocession reinsurance arrangement for a block of in-force life and health business in 2020. VNB margin increased from 67.1% in the three months ended 31 March 2021 to 69.5% in the three months ended 31 March 2022 primarily due to the continued shift towards individual products which are higher margin. Accordingly, Protection VNB increased by 13.3% on a CER basis (3.3% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022. VNB margin increased from 37.1% in 2020 to 62.6% in 2021 primarily due to the continued shift towards individual products which are higher margin and the one-off impact from lower margin retrocession insurance in 2020. Accordingly, Protection VNB decreased by 35.9% on a CER basis (38.2% on an AER basis) from 2020 to 2021 primarily due to the one-off retrocession reinsurance in 2020, and grew by 44.1% on a CER basis (48.7% on an AER basis) from 2019 to 2020 primarily due to the pivot away from COLI products. Excluding the one-off retrocession reinsurance business for a block of in-force life and health business in 2020, our VNB in Japan decreased by 38.7% on a CER basis (36.9% on an AER basis) from 2019 to 2020. VNB margin decreased from 77.7% in 2019 to 37.1% in 2020, primarily reflecting (i) retrocession reinsurance, (ii) a change in product mix and (iii) the continued decrease in sales of COLI products.

Excluding the VNB generated from sales of COLI products, and one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, our VNB in Japan increased by 11.1% on a CER basis (7.8% on an AER basis) from US$95 million in 2020 to US$102 million in 2021, due to the increase in sales of individual protection products and, in particular, the increase in margins of the individual products sold, increased by 21.6% on a CER basis (24.6% on an AER basis) from US$76 million in 2019 to US$95 million in 2020, mainly due to an increase in the sales of individual protection products as we shifted our focus towards such products. Our VNB margin excluding the impact of COLI products and retrocession reinsurance increased from 77.1% in 2020 to 78.9% in 2021, due to the increase in margins of our individual products, decreased from 80.5% in 2019 to 77.1% in 2020, primarily reflecting the repricing of certain key individual protection products in 2019. Our VNB generated from sales of COLI business decreased by 1.8% on a CER basis (10.4% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022, by 21.6% on a CER basis (23.9% on an AER basis) from 2020 to 2021 and decreased by 72.6% on a CER basis (72.0% on an AER basis) from 2019 to 2020.

Segmental adjusted operating profit before tax (non-IFRS measure) in Japan increased by 32.8% on a CER basis (21.1% on an AER basis) from US$59 million in the three months ended 31 March 2021 to US$71 million in the three months ended 31 March 2022, primarily due to higher investment margin and lower operating expenses. Segmental adjusted operating profit before tax (non-IFRS measure) in Japan decreased by 3.3% on a CER basis (2.9% on an AER basis) from US$100 million in 2020 to US$97 million in 2021, primarily due to our revenue remaining largely unchanged as we continued the shift towards individual protection products. Segmental adjusted operating profit before tax (non-IFRS measure) in Japan increased by 41.5% on a CER basis (42.4% on an AER basis) from US$71 million in 2019 to US$100 million in 2020, primarily driven by a shift in our focus to individual protection products and our successful expense management to mitigate the impact of lower sales of

COLI products in the remainder of 2019 and 2020. In 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, the revenue contributed by COLI products in Japan was US$684 million, US$708 million, US$714 million, US$276 million and US$230 million while the revenue contributed by the individual products in Japan was US$1,172 million, US$1,591 million, US$1,754 million, US$477 million and US$474 million with group products contributing US$7 million in revenue in each of 2019, 2020, 2021 and US$2 million in the three months ended 31 March 2021 and 2022, respectively.

The expense ratio in Japan was 7.8% in the three months ended 31 March 2022 compared to 9.5% in the three months ended 31 March 2021, primarily due to lower operating expenses. The expense ratio in Japan was 10.6% in 2021 compared to 12.4% in 2020, primarily due to the reduction in business as usual costs through the introduction of a procurement function and implementing various cost reduction initiatives. The expense ratio decreased from 14.5% in 2019 to 12.4% in 2020, primarily reflecting our strict control and optimisation of expenses.

Allocated segment assets in Japan were US$10,618 million, US$12,970 million, US$13,083 million and US$12,787 million as of 31 December 2019, 2020, 2021 and the three months ended 31 March 2022 respectively. The increase in allocated segment assets in Japan from 2019 reflects business growth, and a one-off retrocession reinsurance contract for a block of in-force life and health business in 2020.

For a discussion of our operations in Japan, see "*Business – Our Operations in Our Geographic Markets – Japan.*"

Emerging Markets

The Emerging Markets segment includes our business operations in Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

	For the year ended/ As of 31 December			For the three months ended/ As of 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions, except for percentages)				
TWPI[(1)]	271	430	609	148	171
APE[(2)]	157	197	301	63	90
Partnerships and discontinued businesses[(3)]	23	49	112	N/A	N/A
Others	134	147	189	N/A	N/A
VNB[(4)]	52	79	133	26	38

	For the year ended/ As of 31 December			For the three months ended/ As of 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions, except for percentages)				
Partnerships and discontinued businesses[3]	3	19	41	N/A	N/A
Others	49	60	92	N/A	N/A
Segmental adjusted operating loss before tax (non-IFRS measure)[1]	(98)	(87)	(73)	(26)	(12)
Allocated segment assets	1,912	3,409	4,309	N/A	4,432
Ratios:					
Expense ratio	53.4%	40.6%	34.6%	35.8%	33.7%
VNB margin[4]	32.9%	40.0%	44.2%	41.9%	42.5%

Notes:

(1) See Notes 6.1 and 6.4 to the Accountants' Report included in Appendix I for more details.

(2) Operational performance measure.

(3) Business generated through (i) FWD Takaful, PTBC, other distribution networks of PT Commonwealth Life and VCB, and 29.9% stake in BRI Life, and (ii) the discontinued employee benefits business in Singapore. The same has not been shown for the three months ended 31 March 2021 and the three months ended 31 March 2022 as we did not undertake any major acquisitions, major disposals or designated any business as newly discontinued.

(4) Actuarial performance measures.

TWPI in Emerging Markets increased by 15.4% from US$148 million in the three months ended 31 March 2021 to US$171 million in the three months ended 31 March 2022, due to the strong growth in both new and renewal business across our markets. TWPI in Emerging Markets increased by 41.5% from US$430 million in 2020 to US$609 million in 2021, due to the strong growth in both new and renewal business across our markets. TWPI in Emerging Markets increased by 58.8% from US$271 million in 2019 to US$430 million in 2020, mainly due to the strong growth in premiums in Indonesia and Vietnam, driven by, in particular, the acquisition of PT Commonwealth Life in Indonesia and strong growth of new business and renewal premiums generated in Vietnam.

APE in Emerging Markets increased by 46.4% on a CER basis (43.7% on an AER basis) from US$63 million in the three months ended 31 March 2021 to US$90 million in the three months ended 31 March 2022, due to strong growth of our operations across markets as COVID-19 restrictions were relaxed and as we continued to deliver on our recently formed bancassurance partnerships. APE in Emerging Markets increased by 51.7% on a CER basis (53.1% on an AER basis) from US$197 million in 2020 to US$301 million in 2021, due to strong growth of our operations across markets and especially as we continued to build on our bancassurance partnerships. APE in Emerging Markets increased by 23.3% on a CER basis (25.1% on an AER basis) from US$157 million in 2019 to US$197 million in 2020, mainly due to strong organic growth of our operations in Malaysia and Vietnam, coupled with increased sales from the newly acquired businesses and partnerships in Vietnam and Indonesia.

VNB in Emerging Markets increased by 48.6% on a CER basis (45.7% on an AER basis) from US$26 million in the three months ended 31 March 2021 to US$38 million in the three months ended 31 March 2022, due to the strong growth in new business sales as well as an increase in margins from higher growth in protection products sales. VNB in Emerging Markets increased by 67.6% on a CER basis (69.2% on an AER basis) from US$79 million in 2020 to US$133 million in 2021, due to the strong growth in new business sales as well as an increase in margins from higher growth in protection products sales. VNB in Emerging Markets increased by 49.1% on a CER basis (52.2% on an AER basis) from US$52 million in 2019 to US$79 million in 2020, mainly due to strong growth of new business in Malaysia and Vietnam, and in particular the full year contribution of VNB in Malaysia as we commenced our operation there in 2019. VNB margin in Emerging Markets increased from 32.9% in 2019 to 40.0% in 2020, primarily due to the shift towards higher margin protection products. Our VNB margin further increased to 44.2% in 2021 and also increased from 41.9% in the three months ended 31 March 2021 to 42.5% in the three months ended 31 March 2022 for the same reasons. Accordingly, Protection VNB in Emerging Markets grew by 57.8% on a CER basis (55.6% on an AER basis) from the three months ended 31 March 2021 to the three months ended 31 March 2022, 79.2% on a CER basis (81.1% on an AER basis) from 2020 to 2021 and by 77.0% on a CER basis (79.7% on an AER basis) from 2019 to 2020, mainly due to (i) a shift towards protection products across all Emerging Markets and across all distribution channels to meet customers' needs for protection, (ii) the revamping of existing protection and savings products to incorporate more protections and riders, and (iii) a shift towards more profitable universal life products and riders.

Excluding the VNB generated from our acquisitions and associated bancassurance partnerships, namely FWD Takaful, PTBC, other distribution networks of PT Commonwealth Life, VCB, and 29.9% stake in BRI Life, as well as the discontinued employee benefits business in Singapore, VNB in Emerging Markets increased by 52.2% on a CER basis (53.6% on an AER basis) from US$60 million in 2020 to US$92 million in 2021, due to the strong growth of our business as well as the continued shift towards more profitable protection products. Excluding the VNB generated from our acquisitions and associated bancassurance partnerships, namely FWD Takaful, PTBC, other distribution networks of PT Commonwealth Life, and VCB, as well as the discontinuation of the employee benefits business in Singapore, VNB in Emerging Markets increased by 20.5% on a CER basis (23.4% on an AER basis) from US$49 million in 2019 to US$60 million in 2020, mainly due to the strong growth of our business and shift towards protection products mainly due to (i) our continued and concerted efforts to implement our protection strategy across Emerging Markets, (ii) strong sales growth and a shift towards the more profitable universal life products and riders in Vietnam, and (iii) strong organic growth in sales in all markets. Our VNB margin in Emerging Markets excluding acquisitions and discontinued business increased to 48.6% in 2021 compared to 40.7% in 2020 and 36.3% in 2019, due to the shift towards more profitable protection products.

Segmental adjusted operating loss before tax (non-IFRS measure) in Emerging Markets was US$98 million, US$87 million, US$73 million, US$26 million and US$12 million in 2019, 2020, 2021, and the three months ended 31 March 2021 and 2022, respectively, reflecting the loss-making position of the segment as result of new business strains driven by high business growth of the relatively young operations; and the loss amounts decreased year-on-year due to our cost control measures.

The expense ratio was 33.7% and 35.8% in the three months ended 31 March 2022 and 2021 compared to 34.6% in 2021, 40.6% in 2020 and 53.4% in 2019 due to the continued benefit from an increase in the scale of our business as we continued to roll out our expense-saving initiatives.

Allocated segment assets in Emerging Markets were US$1,912 million, US$3,409 million, US$4,309 million and US$4,432 million as of 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively. The increase in allocated segment assets in Emerging Markets primarily reflects the impact of our acquisitions of HSBC Amanah Takaful in 2019 and VCLI and PT Commonwealth Life in 2020 and the continued growth of our business in all markets.

For a discussion of our operations in our Emerging Markets, see "*Business – Our Operations in Our Geographic Markets – Our Emerging Markets.*"

Corporate and Others

The Corporate and Others segment largely represents the expenditure to support our regulatory and compliance activities, as well as our Business Units across the finance, IT and digital, investments and distribution areas.

	Year ended 31 December			**Three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
			(US$ millions)		
Segmental adjusted operating loss before tax (non-IFRS measure)	(95)	(115)	(150)	(27)	(11)

Segmental adjusted operating loss before tax (non-IFRS measure) was US$27 million in the three months ended 31 March 2021 compared to US$11 million in the three months ended 31 March 2022, due to disciplined cost control. Segmental adjusted operating loss before tax (non-IFRS measure) was US$115 million in 2020 compared to US$150 million in 2021, due to the investments required to support the growth of our operations while maintaining disciplined cost control. Segmental adjusted operating loss before tax (non-IFRS measure) in Corporate and Others was US$95 million and US$115 million in 2019 and 2020, respectively, reflecting a focus on allocating resources to support growth, while maintaining disciplined cost control.

Discussion of Major Items in the Consolidated Statements of Financial Position

Assets

As of 31 December 2019, 2020, 2021 and the three months ended 31 March 2022, our total assets were US$51,305 million, US$62,550 million, US$63,653 million and US$62,207 million, respectively. The following table sets forth the principal components of our assets as of the dates indicated:

	As of 31 December			As of 31 March
	2019	2020	2021	2022
	(US$ millions)			
Intangible assets	**3,487**	**3,531**	**3,348**	**3,332**
Assets other than financial investments[(1)]	**10,867**	**13,377**	**13,009**	**13,002**
Financial investments				
Loans and deposits	1,701	1,754	1,688	1,761
Available for sale debt securities	30,837	37,839	37,156	35,655
At fair value through profit or loss:				
Debt securities	109	129	79	78
Equity securities	4,111	5,740	8,253	8,248
Derivative financial instruments	193	180	120	131
Total financial investments	**36,951**	**45,642**	**47,296**	**45,873**
Total assets	**51,305**	**62,550**	**63,653**	**62,207**

Note:

(1) Primarily consists of property, plant and equipment, reinsurance assets, deferred acquisition costs, cash and cash equivalents, other miscellaneous non-financial assets and assets classified as held-for-sale.

Intangible assets

Intangible assets consist of goodwill, distribution rights, computer software and other intangible assets.

	As of 31 December			As of 31 March
	2019	**2020**	**2021**	**2022**
	(US$ millions)			
Intangible assets				
Goodwill	1,448	1,615	1,560	1,558
Distribution rights	1,935	1,786	1,660	1,647
Computer software and others	104	130	128	127
Total intangible assets	**3,487**	**3,531**	**3,348**	**3,332**

Our intangible assets reduced by 0.5% from US$3,348 million as of 31 December 2021 to US$3,332 million as of 31 March 2022, mainly due to the amortisation of our distribution rights and computer software and foreign exchange translation adjustments, partially offset by the addition of computer software.

Our intangible assets reduced by 5.2% from US$3,531 million as of 31 December 2020 to US$3,348 million as of 31 December 2021, mainly due to the amortisation of our distribution rights and computer software, and foreign exchange translation adjustments, partially offset by the capitalisation of the first milestone payment made pursuant to the distribution agreement with PTBC.

Our intangible assets increased by 1.3% from US$3,487 million as of 31 December 2019 to US$3,531 million as of 31 December 2020, mainly due to an increase in goodwill from US$1,448 million as of 31 December 2019 to US$1,615 million as of 31 December 2020 resulting from the acquisitions of VCLI, PT Commonwealth Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, which was offset by a decline in the carrying value of distribution rights from US$1,935 million as of 31 December 2019 to US$1,786 million as of 31 December 2020. Our distribution rights declined resulting from the novation of our distribution agreement with TMB, which was partially offset by the new distribution agreements with PTBC and VCB through the PT Commonwealth Life and VCLI acquisitions.

Goodwill is tested for impairment annually by comparing the carrying amount of the cash generating unit ("**CGU**"), including goodwill, to the recoverable amount of that CGU. The recoverable amount is the value in use of the CGU. The value in use is calculated as an actuarially determined appraisal value, based on (i) the Embedded Value with respect to the in-force business together with (ii) the value of future new business. The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation, which are aligned to those assumptions detailed in the Actuarial Consultant's Report set forth in Appendix III. The present value of expected future new business is calculated based on a combination of indicators which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses taking into account, among others, recent production mix, business strategy, market trends and risk associated with the future new business projections. Best estimate assumption reflect estimates around economic environment, business plans with distribution partners, and the prevailing business environment and regulatory requirements. For the three months ended 31 March 2022, the Group assessed if any impairment indicators existed for goodwill. No impairment on goodwill was recognised in 2019, 2020, 2021 and the three months ended 31 March 2022. See Note 12 to the Accountants' Report in Appendix I to this document.

The headroom of each CGU (i.e., by how much the recoverable amount would exceed the carrying amount of the CGU when the key assumptions have been applied in the impairment testing) during 2021 is summarised in the following table:

	% of headroom over the carrying amount of the CGU
Hong Kong	50 - 100
Thailand	50 - 100
Japan	Over 100
Emerging markets	
Vietnam	Over 100
Indonesia	0 - 50

The Group conducted sensitivity analyses of the assumptions applied in the base version of the impairment test to confirm whether a reasonably possible change in key assumptions (the investment returns, risk discount rate or VNB multiplier) would cause the carrying amount of the CGU to exceed its recoverable amount. Based upon the basis of the analyses and the best estimate assumptions, the Group did not identify that a reasonable possible change in the key assumptions could cause the carrying amount of the CGUs to exceed the recoverable amount as at 31 December 2021.

The results of the sensitivity analyses on the investment returns, the risk discount rate or the VNB multiplier during 2021 are summarised in the following table:

	Change in % of headroom over the carrying amount of the CGU	
Investment returns	**-25bps**	**+25bps**
Hong Kong	(0 - 10)	0 - 10
Thailand	(10 - 20)	10 - 20
Japan	(20 - 40)	20 - 40
Emerging markets		
Vietnam	(0 - 10)	0 - 10
Indonesia	(0 - 10)	0 - 10

	Change in % of headroom over the carrying amount of the CGU	
Risk discount rate	**+50bps**	**-50bps**
Hong Kong	(0 - 10)	10 - 20
Thailand	(0 - 10)	10 - 20
Japan	(10 - 20)	20 - 40
Emerging markets		
Vietnam	(0 - 10)	0 - 10
Indonesia	(0 - 10)	0 - 10

	Change in % of headroom over the carrying amount of the CGU	
VNB Multiplier	**-20%**	**+20%**
Hong Kong	(10 - 20)	10 - 20
Thailand	(10 - 20)	10 - 20
Japan	(10 - 20)	10 - 20
Emerging markets		
Vietnam	(20 - 40)	20 - 40
Indonesia	(10 - 20)	10 - 20

Assets other than financial investments

Assets other than financial investments primarily consist of reinsurance assets, deferred acquisition costs ("**DAC**"), cash and cash equivalents and other miscellaneous non-financial assets.

	As of 31 December			As of 31 March
	2019	2020	2021	2022
	(US$ millions)			
Assets other than financial investments				
Reinsurance assets	2,880	3,232	3,404	3,392
Deferred acquisition costs	3,766	4,591	4,742	4,717
Cash and cash equivalents	1,911	2,730	2,652	2,312
Other non-financial assets[1]	2,310	2,824	2,211	2,581
Total assets other than financial investments	**10,867**	**13,377**	**13,009**	**13,002**

Note:

(1) Consist of investments in associates and joint ventures, property, plant and equipment, investment property, deferred tax assets, current tax recoverable, other assets and assets classified as held-for-sale.

Our assets other than financial investments decreased by 0.1% from US$13,009 million as of 31 December 2021 to US$13,002 million as of 31 March 2022.

Our assets other than financial investments decreased by 2.7% from US$13,377 million as of 31 December 2020 to US$13,009 million as of 31 December 2021, mainly due to other non-financial assets decreasing due to the settlement of receivable in connection with the novation of the TMB distribution agreement.

Our assets other than financial investments increased by 23.1% from US$10,867 million as of 31 December 2019 to US$13,377 million as of 31 December 2020, mainly due to (i) an increase in deferred acquisition costs, which reflects the acquisitions of VCLI, PT Commonwealth Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020, and VOBA, (ii) an increase in insurance receivables which resulted from strong business growth, a receivable from the novation of the TMB distribution agreement and overall business growth, and (iii) an increase in cash and cash equivalents which reflects a higher volume of new business premium collected in Hong Kong (and Macau), Thailand (and Cambodia) and Japan reporting segments, as well as changes in central liquidity holdings.

Financial investments

Our financial assets decreased by 3.0% from US$47,296 million as of 31 December 2021 to US$45,873 million as of 31 March 2022, mainly due to (i) fair value losses in available for sale debt due to continued increase in longer dated bond yields in Thailand, (ii) increasing US interest rate environment, (iii) fair value losses in our equity portfolio, and (iv) foreign exchange loss from weakening of the Japanese Yen and the Thai Baht against the US Dollar, partially offset by the overall asset growth from new business.

Our financial assets increased by 3.6% from US$45,642 million as of 31 December 2020 to US$47,296 million as of 31 December 2021, mainly due to overall asset growth from new business and reinvestments as well as fair value gains from our equity portfolio, which was offset by the reduction in value of our available for sale debt securities, primarily driven by an increase in longer dated bond yields in Thailand and fair value losses on derivative financial instruments due to the weakening of the Japanese Yen and the Thai Baht.

Our financial assets increased by 23.5% from US$36,951 million as of 31 December 2019 to US$45,642 million as of 31 December 2020, mainly due to (i) an increase in available for sale debt securities from US$30,837 million as of 31 December 2019 to US$37,839 million as of 31 December 2020, which primarily reflects the acquisitions completed in 2020 and purchases made to support business growth and (ii) an increase in equity securities at fair value from US$4,111 million as of 31 December 2019 to US$5,740 million as of 31 December 2020, which, in each case, primarily reflects the acquisitions completed in 2020 and purchases made to support business growth.

Level 3 of fair value measurement

Our management has carefully reviewed the valuation related policies, the financial statements prepared in accordance with the IFRS, and other supporting documents, and has had sufficient understanding of the valuation model, methodologies, and techniques. Based on the foregoing, our management is of the view that the valuation analysis performed during the Track Record Period is fair and reasonable. Our management is satisfied with the valuation work for the Level 3 fair value measurement on financial assets and liabilities performed during the Track Record Period.

Details of the fair value measurement of Level 3 financial assets and liabilities, including the valuation technique and unobservable inputs, are set out in Note 20.1 to the Accountants' Report included in Appendix I.

Having considered the work done by the Directors and the Reporting Accountants and based on the independent due diligence work conducted by the Joint Sponsors, including but not limited to (i) review of the relevant notes in the Accountants' Report in Appendix I; (ii) discussions with the Company and the Reporting Accountants on the accounting policies and procedures; and (iii) review of a sample of valuation reports, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to cast doubt on the reasonableness of the explanations provided by the Directors and the Reporting Accountants with respect to the applicable standards for the valuation of Level 3 financial assets at fair value through profit and loss.

Liabilities

As of 31 December 2019, 2020 and 2021 and 31 March 2022, our total liabilities were US$45,775 million, US$54,325 million, US$54,706 million and US$55,310 million, respectively. The following table sets forth the principal components of our liabilities as of the dates indicated:

	As of 31 December			As of 31 March
	2019	2020	2021	2022
	(US$ millions)			
Liabilities				
Insurance and investment contract liabilities	37,656	45,481	48,198	48,812
Financial liabilities[(1)]	4,113	3,671	2,369	2,501
Liabilities – other than the above[(2)]	4,006	5,173	4,139	3,997
Total liabilities	**45,775**	**54,325**	**54,706**	**55,310**

Notes:

(1) Includes borrowings and derivative financial instruments.

(2) Consists of deferred ceding commission, provisions, deferred tax liabilities, current tax liabilities, other liabilities and liabilities directly associated with assets classified as held-for-sale.

Our insurance and investment contract liabilities increased by 1.3% from US$48,198 million as of 31 December 2021 to US$48,812 million as of 31 March 2022, mainly due to the growth in our business and the resultant increases in liabilities for future policyholder benefits, and deferred profit liabilities. Our financial liabilities increased by 5.6% from US$2,369 million as of 31 December 2021 to US$2,501 million as of 31 March 2022 primarily due to the increase in our derivative financial instruments as a result of unfavourable movement in foreign currency hedge. Our liabilities, other than insurance and investment contract liabilities and financial liabilities, decreased by 3.4% from US$4,139 million as of 31 December 2021 to US$3,997 million as of 31 March 2022, mainly due to the disposal of VCLI and the decrease in deferred tax liabilities as a result of a decrease in unrealised gain on available for sale financial assets and changes in insurance provision.

Our insurance and investment contract liabilities increased by 6.0% from US$45,481 million as of 31 December 2020 to US$48,198 million as of 31 December 2021, mainly due to the growth in our business and the resultant increases in liabilities for future policyholder benefits, and deferred profit liabilities. Our financial liabilities decreased by 35.5% from US$3,671 million as of 31 December 2020 to US$2,369 million as of 31 December 2021 primarily due to the repayment of US$2,250 million of our bank borrowings in 2021 and new bank borrowings of US$1,000 million in December 2021. Our liabilities, other than insurance and investment contract liabilities and financial liabilities, decreased by 20.0% from US$5,173 million as of 31 December 2020 to US$4,139 million as of 31 December 2021, mainly due to settlements of repurchase and forward agreements and distribution agreement payables, the disposal of the GI Disposal Group and our pension business and the decrease in deferred tax liabilities as a result of a decrease in unrealised gain on available for sale financial assets and changes in insurance provision.

Our insurance and investment contract liabilities increased by 20.8% from US$37,656 million as of 31 December 2019 to US$45,481 million as of 31 December 2020, mainly due to acquisitions completed in 2020, coupled with our strong business growth. Our financial liabilities decreased by 10.8% from US$4,113 million as of 31 December 2019 to US$3,671 million as of 31 December 2020, mainly due to the decrease in our borrowings from US$3,946 million as of 31 December 2019 to US$3,457 million as of 31 December 2020, which was primarily due to the transfer of the guaranteed notes of PCGI Intermediate and PCGI Intermediate II Holdings to our shareholder, PCGI Holdings, by way of capitalisation as part of the Reorganisation.

Except as discussed above, as of 31 December 2021, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

Equity

Our total equity decreased by 22.9% from US$8,947 million as of 31 December 2021 to US$6,897 million as of 31 March 2022, mainly due to (i) US$192 million in capital contributions from investors, which was more than offset by (ii) a net decrease in fair value reserve of US$1,824 million driven by Thailand and Hong Kong which experienced drop in market value as a result of an increase in interest yield, and (iii) redemption of US$250 million perpetual securities.

Our total equity increased by 8.8% from US$8,225 million as of 31 December 2020 to US$8,947 million as of 31 December 2021, mainly due to (i) US$2,025 million in capital contributions from our shareholders and other investors and US$400 million from the proceeds of transferring FL's and FGL's convertible preference shares from the Company to an existing convertible preference shareholder, partially offset by (ii) a net decrease in fair value reserve of US$1,411 million driven by Thailand and Hong Kong which experienced drop in market value as a result of an increase in interest yield, and (iii) a net decrease in foreign currency translation reserve of US$470 million driven by appreciation of the USD against the Thai Baht and the Japanese Yen.

Our total equity increased by 48.7% from US$5,530 million as of 31 December 2019 to US$8,225 million as of 31 December 2020, mainly due to (i) the transfer and novation of the indebtedness and guarantees of our Company to PCGI Holdings by way of capitalisation in the amount of US$1,716 million, and (ii) US$892 million from issuance of shares to, and transactions with, convertible preference shareholders in 2020.

The following table sets forth our total equity and adjusted total equity, i.e., assuming the Reorganisation was completed as of 1 January 2019, as of the dates indicated:

	As of 31 December			As of 31 March
	2019	**2020**	**2021**	**2022**
	(US$ millions)			
Total equity attributable to shareholders of the Company	2,918	4,898	5,647	4,331
Perpetual securities	1,608	1,607	1,607	1,339
Non-controlling interests[(1)]	1,004	1,720	1,693	1,227
Total equity	**5,530**	**8,225**	**8,947**	**6,897**
Share capital and share premium	1,028	1,713	1,692	1,226
Non-controlling interests	(966)	(1,713)	(1,692)	(1,226)
NON-IFRS MEASURE				
Adjusted total equity (non-IFRS measure)	**5,592**	**8,225**	**8,947**	**6,897**
Adjusted total equity attributable to				
Shareholders of the Company	3,946	6,611	7,339	5,557
Perpetual securities	1,608	1,607	1,607	1,339
Non-controlling interests[(1)]	38	7	1	1

Note:

(1) The non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company, which will become equity of the Company upon the completion of the Reorganisation. See "*History, Reorganisation and Corporate Structure – Reorganisation*." The key terms of preference shares and convertible preference shares are summarised in Note 29.4 to the Accountants' Report included in Appendix I.

The perpetual securities were issued by FL and FGL and have been treated as equity in our consolidated statement of financial position. FL and FGL have used the proceeds from the issuances for general corporate purposes, acquisitions and/or repayment of our own indebtedness. The following table sets forth the carrying amount of the perpetual securities:

	Year ended 31 December			Three months ended 31 March
Issued on	**2019**	**2020**	**2021**	**2022**
		(US$ millions)		
24 January 2017	255	255	255	–
15 June 2017	360	360	360	360
6 July 2017	179	179	179	179
1 February 2018	203	203	203	200
16 September 2019	611	610	610	600
Total	**1,608**	**1,607**	**1,607**	**1,339**

Investment Portfolio

Our results of operations, financial condition and future prospects are affected by the performance of our investment portfolio and our ability to profit from our investments. We manage our investments in accordance with our investment management framework. Our investment management framework seeks to ensure that our investment functions are effective and compliant with relevant laws and regulations. It also requires that our investment functions adhere to our ethical standards and risk management policies.

The discussion of our investment portfolio composition focuses on our policyholder and shareholder investments, as our profit before tax is less affected by the performance of the unit-linked investments. Our unit-linked policyholders are responsible for allocating their premiums among the investment options, and they bear the investment risk of these investments.

Our investment portfolio is composed predominantly of fixed income assets such as government bonds and corporate bonds, followed by equity securities, investment properties and others.

The greatest aggregate concentration of fair value to direct holding of an individual issuer (excluding all government related fixed income assets) is less than one per cent. of the total equity and debt investments as at 31 March 2022.

The following table sets forth our total investment portfolio by asset class as of the dates indicated for policyholder and shareholder investments:

	As of 31 December						As of 31 March	
	2019		2020		2021		2022	
	(US$ millions, except for percentages)							
Fixed income securities	31,529	88.2%	38,596	88.4%	37,876	83.7%	36,456	83.3%
Equity securities	2,821	7.9%	3,630	8.3%	5,949	13.1%	5,970	13.7%
Investment properties	542	1.5%	609	1.4%	663	1.5%	656	1.5%
Others[(1)]	805	2.3%	866	2.0%	810	1.8%	810	1.9%
Derivatives	26	0.1%	(34)	(0.1)%	(37)	(0.1)%	(157)	(0.4)%
Total	**35,723**	**100%**	**43,667**	**100%**	**45,261**	**100%**	**43,735**	**100%**

Note:

(1) Includes policy loans and secured loans. An irrevocable notice of redemption was issued on 24 December 2021 for the redemption of the January 2017 Perpetual Securities on 24 January 2022, which has been completed.

We predominantly invest in fixed income assets based on our liability maturity profile and to generate predictable and stable income. As of 31 March 2022, 83.3% of our investment portfolio (excluding unit-linked investments) was composed of fixed income investments. As of 31 March 2022, government bonds constituted the largest component of our fixed income investments and represented 45.2% of our total fixed income investment portfolio (excluding unit-linked investments). Our government bond investments were concentrated in Thai and Japanese government bonds. The Company reports the group-wide concentration and potential risks to the Risk Committee on a quarterly basis. Our Directors are of the view that while there are some concentrations of Thai and Japanese government bonds and private equity investments in Hong Kong in our investment portfolio, apart from the sovereign credit exposures, the portfolio overall is sufficiently diversified from single party exposures and managed within the sector limit permitted by our concentration risk guidelines at our Group level. The government bonds in our investment portfolio have sufficiently high liquidity and the reason for such concentration is primarily due to our policy of matching our assets and liabilities on a local currency basis. Furthermore, in countries such as Thailand, government bonds are the safest form of fixed income investments available to us. The percentage of private equities is also within the SAA approved by the Risk Committee. The primary reason to allocate to private equity is that historically, private equity investments have been able to generate a premium over public stocks, which remains our expectation for the future. The long term nature and holding periods for private equity investments are commensurate with long term life insurance liabilities and support the non-guarantee bonus to policyholder in long run and, as such, our Directors are of the view that the allocation of private equity in our SAA is manageable and acceptable.

As of 31 March 2022, 94.4% of our fixed income investment portfolio was rated investment grade. We had a small portion of investments rated below investment grade, primarily because Thailand, the Philippines and Indonesia all have international sovereign debt ratings of BBB while Vietnam has an international sovereign debt rating of BB and as a result, many corporate bonds issued in these markets are below investment grade on an international rating scale.

Fixed Income

The following table sets forth the breakdown of our fixed income investments by asset categories as of the dates indicated for policyholder and shareholder investments.

	As of 31 December						As of 31 March	
	2019		2020		2021		2022	
	(US$ millions, except for percentages)							
Debt securities								
Government bonds	15,124	46.8%	17,755	45.0%	17,815	46.1%	16,840	45.2%
Government agency bonds	961	3.0%	2,171	5.5%	2,005	5.2%	1,907	5.1%
Corporate bonds	13,749	42.5%	16,253	41.2%	15,585	40.3%	14,884	40.0%
Structured securities	770	2.4%	1,391	3.5%	1,499	3.9%	1,782	4.8%
Others	925	2.9%	1,026	2.6%	972	2.5%	1,043	2.8%
Subtotal	**31,529**	**97.5%**	**38,596**	**97.8%**	**37,876**	**98.0%**	**36,456**	**97.9%**
Loans and deposits								
Policy loans	797	2.5%	856	2.2%	793	2.0%	794	2.1%
Others	8	0.0%	10	0.0%	17	0.0%	16	0.0%
Subtotal	**805**	**2.5%**	**866**	**2.2%**	**810**	**2.0%**	**810**	**2.1%**
Total(1)	**32,334**	**100%**	**39,462**	**100%**	**38,686**	**100%**	**37,266**	**100%**

Note:

(1) As at 31 December 2021, debt securities of US$3,656 million and US$299 million are restricted for sale due to local regulatory requirements in Thailand and Macau, respectively. As at 31 December 2021, equity securities of US$12 million were restricted for sale due to local regulatory requirements in Macau.

The following table sets forth the breakdown of our debt securities by loan amounts as of the dates indicated (as measured by carrying value):

	31-Dec-2019				31-Dec-2020				31-Dec-2021				31-Mar-2022			
Loan amounts	US$0-1 Bn	US$1-3 Bn	US$3-5 Bn	US$5 Bn+	US$0-1 Bn	US$1-3 Bn	US$3-5 Bn	US$5 Bn+	US$0-1 Bn	US$1-3 Bn	US$3-5 Bn	US$5 Bn+	US$0-1 Bn	US$1-3 Bn	US$3-5 Bn	US$5 Bn+
								(US$ millions)								
Government bonds	15,124	–	–	–	17,746	9	–	–	17,808	7	–	–	16,840	–	–	–
Government agency bonds	961	–	–	–	2,150	11	10	–	1,981	8	16	–	1,907	–	–	–
Corporate bonds	13,749	–	–	–	16,002	124	127	–	15,402	93	90	–	14,884	–	–	–
Structured securities	770	–	–	–	1,385	4	2	–	1,499	–	–	–	1,782	–	–	–
Others	342	–	–	–	388	10	–	–	321	10	–	–	320	–	–	–
Total	**30,946**	**–**	**–**	**–**	**37,671**	**158**	**139**	**–**	**37,011**	**118**	**106**	**–**	**35,733**	**–**	**–**	**–**

The following table sets forth the breakdown of our debt securities by tenor at issue, which is defined as the length of time remaining before a financial contract expires at the time of issue, as of the dates indicated (as measured by carrying value):

	31-Dec-2019				31-Dec-2020				31-Dec-2021				31-Mar-2022			
Tenor at issue	<1 year	1-3 years	3-5 years	5+ years	<1 year	1-3 years	3-5 years	5+ years	<1 year	1-3 years	3-5 years	5+ years	<1 year	1-3 years	3-5 years	5+ years
								(US$ millions)								
Government bonds	102	343	20	14,659	218	629	22	16,886	415	93	35	17,272	484	44	27	16,285
Government agency bonds	–	1	6	954	–	3	22	2,146	–	–	12	1,993	–	–	7	1,900
Corporate bonds	1	139	495	13,114	14	122	417	15,700	103	64	295	15,123	409	257	137	14,081
Structured securities	–	25	–	745	–	1	4	1,386	–	–	–	1,499	–	–	–	1,782
Others	–	1	7	334	269	–	4	125	237	–	1	93	228	–	–	92
Total	**103**	**509**	**528**	**29,806**	**501**	**755**	**469**	**36,243**	**755**	**157**	**343**	**35,980**	**1,121**	**301**	**171**	**34,140**

The following table sets forth the breakdown of our debt securities by maturity dates as of the dates indicated (as measured by carrying value):

	31-Dec-2019				31-Dec-2020				31-Dec-2021				31-Mar-2022			
Maturity Dates	**2022**	**2023**	**2024**	**2025+**	**2022**	**2023**	**2024**	**2025+**	**2022**	**2023**	**2024**	**2025+**	**2022**	**2023**	**2024**	**2025+**
								(US$ millions)								
Government bonds	136	641	347	13,111	681	556	273	15,508	596	243	230	16,746	565	147	217	15,911
Government agency bonds	18	39	26	828	273	156	182	1,465	151	127	160	1,567	131	80	156	1,540
Corporate bonds	1,113	989	1,032	9,580	834	811	926	13,196	486	630	707	13,762	327	578	602	13,377
Structured securities	–	–	–	745	–	11	3	1,377	–	10	4	1,485	–	10	3	1,769
Others	43	25	–	101	46	25	–	300	34	24	–	273	33	23	–	264
Total	**1,310**	**1,694**	**1,405**	**24,365**	**1,834**	**1,559**	**1,384**	**31,846**	**1,267**	**1,034**	**1,101**	**33,833**	**1,056**	**838**	**978**	**32,861**

The following table sets forth the breakdown of our debt securities by coupon rates as of the dates indicated (as measured by carrying value):

	31-Dec-2019				31-Dec-2020				31-Dec-2021				31-Mar-2022			
Coupon Rates	**0-3%**	**3-5%**	**5-10%**	**10+%**	**0-3%**	**3-5%**	**5-10%**	**10+%**	**0-3%**	**3-5%**	**5-10%**	**10+%**	**0-3%**	**3-5%**	**5-10%**	**10+%**
								(US$ millions)								
Government bonds	5,192	8,720	1,206	6	7,126	9,300	1,285	44	8,829	7,907	1,047	32	8,429	7,452	928	31
Government agency bonds	638	241	82	–	782	1,286	103	–	719	1,024	262	–	681	960	266	–
Corporate bonds	3,259	8,281	2,209	–	3,909	9,367	2,975	2	4,091	8,788	2,702	4	3,893	8,442	2,546	3
Structured securities	688	56	26	–	1,162	178	51	–	1,339	94	66	–	1,345	374	63	–
Others	252	90	–	–	304	93	–	1	266	65	–	–	257	63	–	–
Total	**10,029**	**17,388**	**3,523**	**6**	**13,283**	**20,224**	**4,414**	**47**	**15,244**	**17,878**	**4,077**	**36**	**14,605**	**17,291**	**3,803**	**34**

The following table sets for the breakdown of our debt securities by secured/unsecured as of the dates indicated (as measured by carrying value):

Secured/Unsecured	31-Dec-2019		31-Dec-2020		31-Dec-2021		31-Mar-2022	
Type	**Secured**	**Unsecured**	**Secured**	**Unsecured**	**Secured**	**Unsecured**	**Secured**	**Unsecured**
Government bonds	15	15,109	24	17,731	21	17,794	20	16,820
Government agency bonds	61	900	61	2,110	53	1,952	46	1,861
Corporate bonds	389	13,360	517	15,736	577	15,008	825	14,059
Structured securities	659	111	661	730	856	643	842	940
Others	–	342	–	398	–	331	–	320
Total	**1,124**	**29,822**	**1,263**	**36,705**	**1,507**	**35,728**	**1,733**	**34,000**

Government bonds

Government bonds constituted 46.8%, 45.0%, 46.1% and 45.2% of the carrying value of our total fixed income investments (excluding unit-linked investments) as of 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. In order to increase our investment returns and diversify our investment portfolio, we invest in both local and foreign currency denominated government bonds.

The table below shows the carrying value of our government bonds invested by the issuing governments as of the dates indicated for policyholder and shareholder investments:

	As of 31 December						As of 31 March	
	2019		2020		2021		2022	
	(US$ millions, except for percentages)							
Thailand	11,155	73.8%	12,930	72.9%	11,218	63.0%	10,745	63.8%
Japan	2,548	16.8%	2,561	14.4%	3,692	20.7%	3,265	19.4%
United States	955	6.3%	1,355	7.6%	1,571	8.8%	1,582	9.4%
Other	466	3.1%	909	5.1%	1,334	7.5%	1,248	7.4%
Total government bonds	**15,124**	**100%**	**17,755**	**100%**	**17,815**	**100%**	**16,840**	**100%**

Corporate bonds

Corporate bonds constituted 42.5%, 41.2%, 40.3% and 40.0% of the carrying value of our total fixed income investments (excluding unit-linked investments) as of 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. We invest in both local and foreign currency denominated corporate bonds across a broad range of markets, industries and issuers or obligors. Financial institutions and industrials represented our largest sector exposures in our corporate bond investments as of 31 March 2022 since issuers in these sectors usually have international credit ratings, making it easier to evaluate their credit worthiness. These issuers also issue corporate bonds more frequently, providing us with greater flexibility to make investments.

Unlisted Bonds

Most corporate bonds issued by private and public companies are traded "over the counter" and not on exchanges. The listing criterium is hence not of major relevance in determining the quality and, more importantly, the liquidity of a bond. We therefore do not consider unlisted bonds as being of heightened risk.

Credit Rating

The following table sets forth the breakdown of our fixed income investments by credit rating as of the dates indicated for policyholder and shareholder investments:

	As of 31 December						As of 31 March	
	2019		2020		2021		2022	
	(US$ millions, except for percentages)							
AAA	1,270	4.0%	1,871	4.8%	2,028	5.4%	2,052	5.6%
AA	1,548	4.9%	2,018	5.2%	2,569	6.8%	2,625	7.2%
A	7,827	24.8%	10,231	26.5%	11,578	30.6%	10,681	29.3%
BBB	18,315	58.1%	21,531	55.8%	19,393	51.2%	19,056	52.3%
Below Investment Grade	1,501	4.8%	1,602	4.2%	1,729	4.6%	1,613	4.5%
Non-Rated	1,068	3.4%	1,343	3.5%	579	1.4%	429	1.1%
Total	**31,529**	**100%**	**38,596**	**100%**	**37,876**	**100%**	**36,456**	**100%**

The majority of our non-investment grade bond holdings stem from insurance entities in countries with below investment grade sovereign ratings. The sovereign rating typically provides a ceiling for credit ratings of government and corporate bonds issued by or in this country. The following table sets forth the sovereign ratings for selected countries:

Country	**Sovereign Rating**
Thailand	BBB+
Philippines	BBB
Malaysia	A-
Vietnam	BB
Indonesia	BBB

Most of our non-investment grade rated bonds relate to corporate issues in Thailand, which are typically only rated by local Thai rating agencies (such as TRIS and Fitch Thailand). Bonds that receive local investment grade ratings of one or more letter grades below the sovereign (such as "AA or lower" compared to the local sovereign "AAA") would translate into BB or lower ratings using international rating agency scale that classifies Thai sovereign as BBB+.

Equity Securities

We invest in public and private equity, as well as real estate, to diversify our portfolio and increase long-term returns. Due diligence procedures as well as local and group committee approvals are required for such investments. As of 31 March 2022, investments in equity securities represented 13.7% of our total policyholder and shareholder investment portfolio.

The following table sets forth the breakdown of our equity securities investments by asset category as of the dates indicated for policyholder and shareholder investments:

	As of 31 December						**As of 31 March**	
	2019		**2020**		**2021**		**2022**	
	(US$ millions, except for percentages)							
Equity shares	1,092	38.7%	1,374	37.9%	2,525	42.4%	2,440	40.9%
Interests in investment funds	1,729	61.3%	2,256	62.1%	3,424	57.6%	3,530	59.1%
Total	**2,821**	**100%**	**3,630**	**100%**	**5,949**	**100%**	**5,970**	**100%**

	As of 31 December			As of 31 March
	2019	**2020**	**2021**	**2022**
	(US$ millions)			
Policyholder and shareholder				
Listed	1,988	1,474	2,596	2,597
Unlisted	520	1,896	3,116	3,145
Others(1)	313	260	237	228
Total	**2,821**	**3,630**	**5,949**	**5,970**

Note:

(1) Others includes Redeemable investment funds.

Private equities are mainly managed by dedicated private equity managers who have the required resources and skills to identify and execute private investments. We select managers based on their track record and targeted strategies and commit capital to their funds typically as limited partners in pooled fund type vehicles. We select managers across various strategies (such as secondary funds; mid-market buy-out, technology, venture capital) and geographies to obtain diversified private equity portfolios.

Historically, private equity investments were able to generate a premium over public stocks, which remains our expectation for the future. Lower volatility of private equity investments is due to the smoothed valuations over time compared to publicly traded stocks which trades-off with little or no liquidity of private investments. Long term nature and holding periods for private equity are commensurate with long term life liabilities.

Public equities are managed either through the purchase of mutual funds or ETFs, which provide a diversified and cost-effective access to public markets or market segments. The selection of relevant ETF follows the underlying portfolio benchmarks.

Alternatively, public equities are managed through discretionary mandates by internal or external asset managers which typically have established market indices as their benchmark. Asset managers would then choose to over- or underweight certain stocks within the portfolios relative to the benchmark weight based on a number of factors such as fundamental valuation, attractiveness of the stock or sector the stock belongs to relative to the overall benchmark universe.

For our equity securities portfolio (which includes investments supporting investment-linked products), we realised an average annualised return of 10.7%, 9.9%, 16.5%, 13.2% and negative 8.0% for 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022, respectively. The volatility (as measured by standard deviation) of our public equity portfolio (which include both investment-linked products as well as that in general accounts) was in the range of 15-20% per annum, which is in line with that of public market indices, while our private equity portfolio exhibited lower volatility (as measured by standard deviation) of approximately 10% per annum.

Liquidity and Capital Resources

Liquidity in the insurance industry primarily relates to the ability of an insurer to generate sufficient cash from its business operations, including its investment portfolio, to satisfy its obligations under its insurance policies and other financial commitments. Historically, we have funded our liquidity requirements primarily using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities. During 2019, 2020, 2021 and the three months ended 31 March 2022, our Group received an aggregate amount of US$5.3 billion from shareholders which was used by the Group for, among other things, general working capital purposes and the funding of certain acquisitions. After the [**REDACTED**], we expect that our liquidity requirements will be financed through cash generated by our operating activities, bank borrowings and/or other funds raised from issuing debt and equity securities, together with the [**REDACTED**] we receive from the [**REDACTED**]. As of 31 March 2022, we had aggregate cash and cash equivalents of US$2,312 million. We do not, nor are we required under applicable laws to, calculate or disclose any specific liquidity ratio. Our cash inflows and existing cash balances are primarily used to satisfy payment liabilities under our insurance contracts and debt obligations, to purchase investment assets and to fund our operating expenses.

We believe that our current cash and anticipated cash flow generated from operating activities and [**REDACTED**] from the [**REDACTED**] will be sufficient to meet our anticipated working capital requirements, including our cash needs for operating expenses, payment liabilities under our insurance contracts and debt obligations and capital expenditures, in the next 12 months. We may, however, need additional cash resources in the future if we experience changes in business condition or other developments, or if we find and wish to pursue opportunities for investments, acquisitions, capital expenditures or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time or that at any given time, it is desirable to refinance certain of our outstanding indebtedness, whether at or prior to maturity, we may seek to issue equity or debt securities, including through the establishment of and drawdowns under medium-term notes programmes and/or standalone bond issuances, or obtain credit facilities. We may enter into one or more of such transactions at any time, including shortly after the Latest Practicable Date and/or the completion of the [**REDACTED**]. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

We allocate capital within our Group on a centralised basis. In general, we do not expect to transfer capital resources across reporting segments, with limited exceptions where our local operating subsidiaries are held by companies incorporated in different jurisdictions. We determine capital and resource allocation to each business unit based on local regulations, and will ensure that each local business unit not only meets the solvency requirement but have sufficient capital buffer in line with our target level to withstand extreme scenarios.

Our liquidity is affected by the frequency and severity of policy surrenders, withdrawals, maturities, claims and guarantees under our insurance contracts. In particular, our life, general and medical insurance products expose us to the risk of unexpected cash demands in the event that a catastrophic event, such as epidemics or other events that increase mortality or morbidity, lead to a large number of claims, surrenders and early terminations by our policyholders. We seek to manage our catastrophe loss exposure through reinsurance arrangements and we also seek to reduce the likelihood of surrenders and early terminations through in-force product management and adjusting the prices of our products based on regular reviews of persistency experience. During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, we have not experienced any failure of meeting capital or solvency requirements in the regions in which we operate, nor have we received any formal request from regulators to strengthen our capital position for any of our operating entities. However, there is no assurance that we will be able to withstand the liquidity pressures posed by catastrophic events, the timing and effect of which are inherently unpredictable.

Cash flows

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(US$ millions)				
Net cash provided by/(used in) operating activities	(32)	(2)	(868)	146	384
Net cash used in investing activities	(3,351)	(533)	(94)	(138)	(475)
Net cash provided by/(used in) financing activities	3,774	1,353	948	(98)	(232)
Net increase/(decrease) in cash and cash equivalents	**391**	**818**	**(14)**	**(90)**	**(323)**

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Cash and cash equivalents at beginning of the year	1,493	1,911	2,740	2,740	2,654
Effect of exchange rate changes on cash and cash equivalents	27	11	(72)	(52)	(19)
Cash and cash equivalents at the end of year[(1)]	**1,911**	**2,740**	**2,654**	**2,598**	**2,312**

Note:

(1) Included in cash and cash equivalents as of 31 December 2020 and 2021, US$10 million and US$2 million, respectively, in assets classified as held-for-sale in the consolidated statements of financial positions.

Net cash provided by/(used in) operating activities

Our operating activities primarily consist of operational cash flows from the insurance business including cash premiums and fee income received from policyholders of which we invest to support our future obligations to the policyholders including claims, maturities, and surrenders. The operational cash flow from our insurance business also includes payments of commissions and other related acquisition costs to our distributors and the operating expenses to maintain the service to the policyholders and manage the overall business. Further, our operating activities include the purchases, maturities and sales of financial investments as well as the related interest and dividends.

A summary of the key components of our operating cash activities is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Operational cash flows from insurance business	1,234	2,483	3,532	985	900
Cash advances from a related party novated in Reorganisation[(1)]	60	360	–	–	–
Cash flows from repurchase and forward agreements	–	429	(238)	(81)	578

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	(US$ millions)				
Interest and dividends from investment portfolio	832	1,252	1,444	254	253
Purchases, maturities and sales of financial investments	(2,158)	(4,526)	(5,606)	(1,012)	(1,347)
Total	**(32)**	**(2)**	**(868)**	**146**	**384**

Note:

(1) See Note 1.2.2 to the Accountants' Report included in Appendix I.

Net cash provided by operating activities was US$384 million in the three months ended 31 March 2022 compared to US$146 million in the three months ended 31 March 2021, primarily due to increase in cash inflows from repurchase and forward agreements of US$578 million in the three months ended 31 March 2022, compared to cash outflows for settlement of obligations under repurchase and forward agreements of US$81 million in the three months ended 31 March 2021, offset by increase in cash outflows for net purchases of financial investments of US$1,347 million in the three months ended 31 March 2022 compared to US$1,012 million in the three months ended 31 March 2021, and decrease in cash inflows from insurance business of US$900 million in the three months ended 31 March 2022 compared to US$985 million in the three months ended 31 March 2021.

Net cash used in operating activities was US$868 million in 2021 compared to net cash used in operating activities of US$2 million in 2020, primarily due to an increase in cash inflows from insurance business in 2021 of US$3,532 million compared to US$2,483 million in 2020 as our business continued to add scale, and an increase in cash inflows of US$1,444 million from dividend and interest received compared to US$1,252 million in 2020 as a result of increased financial investments held during 2021; offset by a reduction in cash advances from a related party of US$360 million in 2020 compared to nil in 2021, cash outflows on settlement of obligations under repurchase and forward agreements of US$238 million in 2021 compared to cash inflows under repurchase and forward agreements of US$429 million in 2020 related to our investment activities, and cash outflows from increase in the net purchases of financial investments of US$5,606 million in 2021 compared to US$4,526 million in 2020. The increase in net purchases of investments more than exceeded our operational cash flows from the insurance business and interest and dividends from our investment portfolio due to our concentrated actions to reduce excess liquidity during 2021.

Net cash used in operating activities was US$2 million in 2020 compared with net cash used in operating activities of US$32 million in 2019, primarily due to increase in in cash inflows from insurance business in 2020 of US$2,483 million compared to US$1,234 million in 2019 due to including the impact of consolidating SCB Life for the full year, an increase in cash advances from a related party in 2020 of US$360 million compared with US$60 million in 2019, an increase in cash inflow from repurchase agreements and forward agreements of US$429 million in 2020 related to investment activities compared to nil in 2019, and an increase in cash inflows of US$1,252 million from dividend and interest received compared to US$832 million in 2019 as a result of increased financial investments held during 2020 due to including the impact of consolidating SCB for a full year; offset by an increase in the net purchases of financial investments of US$4,526 million in 2020 compared to US$2,158 million in 2019.

Net cash used in investing activities

Our cash outflows from investing activities primarily consist of cash used to acquire subsidiaries, investment properties, investment in associates, property, plant and equipment and intangible assets such as distribution rights. Our cash inflows from investing activities mainly relate to dividends received from our joint venture and proceeds from our disposals of intangible assets, property, plant, and equipment and other investments.

Net cash used in investing activities was US$475 million in the three months ended 31 March 2022 compared to US$138 million in the three months ended 31 March 2021. The increase in cash outflows was primarily due to (i) cash outflows of US$432 million for payments for intangible assets including distribution agreements and software in the three months ended 31 March 2022 compared to US$117 million in the three months ended 31 March 2021, (ii) the disposal proceeds of the distribution agreement with TMB in Thailand amounted to US$233 million was received in the three months ended 31 March 2021 and (iii) the cash outflow of US$54 million for subscription of additional interest in BRI Life in the three months ended 31 March 2022 compared to US$273 million in the three months ended 31 March 2021.

Net cash used in investing activities was US$94 million in 2021 compared to US$533 million in 2020, primarily due to (i) the cash outflow of US$273 million for the subscription of a minority stake in BRI Life, (ii) US$117 million for purchase of investment properties, (iii) US$45 million for payments for intangible assets, and (iv) US$142 million for settlement of distribution agreements in 2021. These cash outflows in 2021 were partially offset by cash inflows of US$233 million representing proceeds from the disposal of the distribution agreement with TMB in Thailand and cash inflows of US$246 million from dividend and distribution from a joint venture. Cash outflows in 2020 primarily related to US$910 million for the acquisition of subsidiaries and entry into distribution agreements, offset partially by cash inflow of US$381 million for proceeds from the termination of the distribution agreement with TMB in Thailand.

Net cash used in investing activities was US$533 million in 2020 compared with net cash used in investing activities of US$3,351 million in 2019. The significant decrease in cash outflows in 2020 from investing activities primarily resulted from lower cash outflow from acquisitions in 2020 compared to 2019. The cash outflows in 2020 related primarily to our acquisitions of VCLI, PT Commonwealth Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited and the consideration for the PTBC and VCB distribution agreements, which together amounted to US$910 million, which was partially offset by cash inflows relating to proceeds from the novation of the TMB distribution agreement of US$381 million. By contrast, the cash outflows in 2019 related primarily to our acquisitions of SCB Life and HSBC Amanah Takaful, and the consideration paid for the SCB distribution agreement, which together amounted to US$2,991 million.

Net cash provided by/(used in) financing activities

Our cash outflows from financing activities mainly consist of cash used to pay finance costs and to redeem or repay outstanding indebtedness. Our cash inflows from financing activities primarily consist of proceeds from bank borrowings and issuance/transfer of debt and equity securities.

Net cash used in financing activities was US$232 million in the three months ended 31 March 2022 compared to US$98 million in the three months ended 31 March 2021. The increase in net cash used in financing activities in the three months ended 31 March 2022 was mainly due to an increase in cash inflow of US$200 million from issuance of our Company's ordinary shares, which was offset by the increase in cash outflow for (i) the redemption of perpetual securities of US$250 million, (ii) settlement of transaction costs on issuance of ordinary shares amounted to US$31 million and (iii) finance costs paid on distribution agreement payables of US$72 million.

Net cash provided by financing activities was US$948 million in 2021 compared to net cash provided of US$1,353 million in 2020. The net cash provided in financing activities in 2021 was mainly due to (i) cash inflow of US$2,025 million from issuance of our Company's ordinary shares, (ii) cash inflow of US$1,000 million from new bank borrowing, and (iii) cash inflow of US$400 million as consideration received by our Company for transferring convertible preference shares issued by FL and FGL to an existing convertible preference shareholder in the first half of 2021 (refer to Note 29 to the Accountants' Report included in Appendix I), offset by cash outflows primarily relating to US$2,250 million repayment of bank borrowings, finance costs paid on borrowings, distributions paid on perpetual securities and lease payments.

Net cash provided by financing activities was US$1,353 million in 2020 compared with net cash provided by financing activities of US$3,774 million in 2019. The significant decrease in net cash provided by financing activities was mainly due to lower funding of acquisitions in 2020 compared to 2019. In 2020, we recorded cash inflows from bank borrowings of US$793 million and proceeds from issuances of mandatory convertible securities of US$210 million, which was partially offset by cash outflows primarily relating to finance costs paid on borrowings and lease payments, distributions paid on perpetual securities and acquisition of non-controlling interests. By contrast, the cash inflows provided by financing activities in 2019 were primarily attributable to our increased bank borrowings and issuance of debt and perpetual securities to support our acquisitions.

Solvency and Capital

The Group has been subject to the HKIA's GWS framework since 14 May 2021, when FWD Management Holdings was determined to be our DIHC. In addition, our operating subsidiaries are subject to regulatory solvency and capital requirements in the jurisdictions in which they operate and are incorporated and/or domiciled.

In Hong Kong, under the GWS framework, a supervised group's capital adequacy is measured with reference to the group capital adequacy requirements. In other jurisdictions, capital adequacy and solvency are measured with reference to relevant local regulations.

We review and monitor our capital adequacy and solvency positions at the Group and operating company levels. Our ALMCO and the Risk Committee regularly review, and conduct sensitivity analyses of, a set of capital management metrics analysing scenarios that could cause changes in our group capital adequacy and solvency levels and the underlying causes of such changes. Regular committee meetings are held to monitor and discuss our group capital adequacy and solvency positions.

Group Capital Adequacy

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Group Capital Rules, as applied to us under transitional arrangements that have been agreed with the HKIA.

We assess our capital adequacy with reference to the group capital adequacy requirements as well as the LCSM. Our LCSM surplus is the difference between our group available capital and our group minimum capital requirement ("**GMCR**"), and our LCSM cover ratio is the ratio of our group available capital to our GMCR. In addition, the GMCR surplus, measured as the difference between our tier 1 capital and our GMCR, and the GMCR cover ratio, measured as the ratio of our tier 1 capital to our GMCR, are monitored as per the capital requirements under the GWS framework. We calculate these amounts as the sum of the available capital and the sum of the required capital, as applicable, of each entity within the Group as determined in accordance with local regulatory requirements, subject to any capital variation the HKIA considers necessary.

We estimate our capital adequacy as of 31 December 2021, 31 March 2022 and 30 June 2022 (applying the principles set forth below), assuming that all outstanding preference shares and convertible preference shares of FL and FGL had been exchanged for ordinary Shares on that date, as follows:

- our LCSM cover ratio would be 592%, 577% and 593%, respectively, and the ratio of our tier 1 capital to our GMCR would be 315%, 325% and 302%, respectively, before giving effect to the [**REDACTED**] of the [**REDACTED**]; and

	As of 31 December 2021		As of 31 March 2022		As of 30 June 2022	
FWD Group	GMCR	LCSM	GMCR	LCSM	GMCR	LCSM
US$ millions, unless otherwise stated						
Eligible capital	3,203	6,007	3,301	5,856	2,668	5,236
Required capital	1,016	1,016	1,015	1,015	883	883
Free surplus	2,187	4,991	2,285	4,841	1,784	4,353
Cover ratio	315%	592%	325%	577%	302%	593%

in each case with the minimum regulatory requirement being a cover ratio of 100%. The information above is illustrative only and our capital adequacy following the closing of the [**REDACTED**] is subject to adjustment based on the [**REDACTED**] of the Shares and other terms of the [**REDACTED**] determined at [**REDACTED**].

As of 31 March 2022, the "supervised group" under the GWS framework comprised FL, FGL and their subsidiaries (including FWD Takaful), and BRI Life. Our Company was not then yet part of the supervised group and hence the financial resources in our Company which have not been injected into the supervised group could not be treated as eligible group capital resources.

Out of the total proceeds raised through the Final Round [**REDACTED**] Investment, only US$520 million was injected into FL/FGL mainly for the early redemption of the January 2017 Perpetual Securities on 24 January 2022 and the part pre-payment of the US$1.8 billion term loan facility on 30 December 2021 and contributed as eligible capital resources under the definition of DIHC's supervised group.

	As of 31 December 2021		As of 31 March 2022	
Designated Insurance Holding Company	GMCR	LCSM	GMCR	LCSM
US$ millions, unless otherwise stated				
Eligible capital	2,073	4,877	2,251	4,807
Required capital	1,016	1,016	1,015	1,015
Free surplus	1,057	3,861	1,236	3,792
Cover ratio	204%	480%	222%	473%

Principle set forth in the Group capital adequacy calculations above

When assessing our capital adequacy, with reference to the group capital adequacy requirements and the LCSM, we define our group available capital as the sum of (i) our eligible group capital resources and (ii) an amount equal to the [**REDACTED**] we received upon issuance of US$2,563 million (being the carrying value of financial instruments at 31 March 2022) of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC and which we apply toward meeting our group prescribed capital requirement under the transitional arrangements. The inclusion of these financial instruments in our group capital and the refinancing of them under the GWS framework are subject to certain terms and conditions contained in the transitional arrangements with the HKIA. In addition, we use the following terms defined in the Group Capital Rules:

Group capital adequacy requirements. A DIHC in relation to its supervised group must ensure that at all times (i) the tier 1 group capital of the supervised group is not less than the GMCR of the supervised group; and (ii) the sum of the tier 1 group capital and the tier 2 group capital of the supervised group is not less than the group prescribed capital requirement of the supervised group.

Group minimum capital requirement. The GMCR of a supervised group is the sum of the minimum capital requirements applicable to the supervised group members in the supervised group.

Group prescribed capital requirement. The group prescribed capital requirement of a supervised group is the sum of the prescribed capital requirements applicable to the supervised group members in the supervised group.

Eligible group capital resources. The eligible group capital resources of a DIHC are the resources and financial instruments of the supervised group which are eligible to be included in the tier 1 group capital or tier 2 group capital of the supervised group.

We also apply the following principles in determining our group available capital and required capital:

- For regulated insurance and non-insurance entities, capital resources and required capital are based on the local solvency regime applicable in each jurisdiction, with minimum required capital set at the solo legal entity statutory minimum capital requirements;

- For non-regulated entities, the capital resources are based on IFRS shareholder equity after deducting intangible assets. No required capital is held in respect of unregulated entities;

- For entities where the Group's shareholding is less than 100%, the contribution of the entity to the GWS eligible group capital resources and required capital represents the Group's share of these amounts and excludes any amounts attributable to non-controlling interests. This does not apply to investment holdings which are not part of the Group;

- Investments in subsidiaries, joint ventures and associates (including, if any, loans that are recognised as capital on the receiving entity's balance sheet) are eliminated from the relevant holding company to prevent the double counting of capital resources; and

- The Group is moving towards compliance with the GWS requirements on the basis of transitional arrangements that have been agreed with the HKIA. We apply an amount equal to the net proceeds we received upon issuance of US$2,563 million (being the carrying value of financial instruments at 31 March 2022) of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC, toward meeting our group prescribed capital requirement under such transitional arrangements.

For further details, see "*Regulatory Overview and Taxation.*"

Operating Subsidiaries

Pursuant to applicable regulations, an insurer is required to maintain at all times required solvency and capital. The objective of these regulations is to provide a reasonable safeguard against the risk that the insurer's assets may be inadequate to meet its liabilities arising from unpredictable events, such as adverse fluctuations in its operating results or the value of its assets and liabilities. Our operating subsidiaries are subject to solvency and capital regulations of, and the supervision of insurance regulators in, the jurisdictions in which they operate and the jurisdictions in which they are incorporated and/or domiciled. We generally aim to set our target solvency and capital ratios well above the minimum local regulatory requirements in all the markets in which we operate. All our operating subsidiaries are in compliance with the relevant solvency and capital requirements prescribed under applicable insurance laws. See "*Regulatory Overview and Taxation*" for discussions on solvency and capital requirements in each geographic market that we operate in and Note 30 to the Accountants' Report included in Appendix I for more information on the solvency ratios that our key regulated entities are required to meet under applicable local requirements.

Capital Expenditures

From time to time, we make capital expenditures to expand our operations, primarily through making leasehold improvements, acquiring property, plant and equipment, and intangible assets, primarily consisting of computer software. Our capital expenditure during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 largely related to investment in IT systems and digital infrastructure to deliver improved digitalisation of core processes covering customer experience and back office services. We have historically funded our capital expenditures through using cash generated by our operating activities. The table below sets forth our capital expenditures for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2019	**2020**	**2021**	**2022**
	(US$ millions)			
Purchase of property, plant and equipment (excluding right-of-use assets)	31	13	20	3
Purchase of intangible assets – computer software and others	54	64	49	10
Total	**85**	**77**	**69**	**13**

Indebtedness

At the close of business on 31 July 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this document, our indebtedness included: (i) borrowings of US$2,214 million, (ii) perpetual securities of US$1,363 million, and (iii) lease liabilities of US$120 million. As of the same date, we had no outstanding significant contingent liabilities.

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of 31 December			As of 31 March	As of 31 July
	2019	2020	2021	2022	2022
					(unaudited)
			(US$ millions)		
Borrowings					
Bank borrowings	2,223	2,234	988	989	990
Medium-term notes	323	323	324	324	324
Subordinated notes	902	900	900	900	900
Guaranteed notes	498	–	–	–	–
Total Borrowings	**3,946**	**3,457**	**2,212**	**2,213**	**2,214**
Perpetual Securities	1,608	1,607	1,607	1,339	1,363
Lease Liabilities(1)	130	145	128	124	120
Total Indebtedness	**5,684**	**5,209**	**3,947**	**3,676**	**3,697**

Note:

(1) The Group leases various office premises, residential units, car parks, office equipment, IT-related and other assets. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. See Note 28 of the Accountants' Report included in Appendix I for details.

Borrowings

Other than our operating cash flow, we also use the net proceeds from bank loans and our issuance of medium-term notes and subordinated notes to finance acquisitions and for general corporate purposes.

The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As of 31 December			As of 31 March	As of 31 July
	2019	**2020**	**2021**	**2022**	**2022**
					(unaudited)
			(US$ millions)		
Bank borrowings	2,223	2,234	988	989	990
Medium-term notes	323	323	324	324	324
Subordinated notes	902	900	900	900	900
Guaranteed notes	498	–	–	–	–
Total borrowings	**3,946**	**3,457**	**2,212**	**2,213**	**2,214**

On 23 December 2020, our Company transferred the guaranteed notes of PCGI Intermediate and PCGI Intermediate II Holdings to PCGI Holdings by way of capitalisation as part of the Reorganisation. In 2020, our Company transferred and settled certain of our bank borrowings to PCGI Holdings as part of the Reorganisation. See "– *Factors Affecting Comparability – Reorganisation and Financing*," and Note 27 to the Accountants' Report included in Appendix I.

Bank borrowings

The following table summarises our outstanding bank borrowings as of 31 July 2022:

Drawdown date	**Amount**	**Interest rate**	**Tenor**
30 December 2021	US$1,000 million	LIBOR + 1.275%	3 years

As of 31 July 2022, we had unutilised bank borrowings of US$500 million. During Track Record Period, our main lenders were commercial banks in the markets in which we operate.

On 26 July 2021, the Group repaid in full on its scheduled maturity date, a US$275 million term loan borrowed under a facility agreement dated 25 July 2018 (as amended) with, among others, Standard Chartered Bank (Hong Kong) Limited as agent. On 10 August 2021, the Group voluntarily prepaid in full prior to its scheduled maturity date, a US$175 million term loan borrowed under a facility agreement dated 4 February 2019 (as amended) with, among others, The Hongkong and Shanghai Banking Corporation Limited as agent.

On 30 December 2021, the Group (i) borrowed a term loan of US$1.0 billion under a facilities agreement (relating to a US$1.0 billion term loan facility and US$500 million revolving loan facility) dated 28 December 2021 with, among others, Standard Chartered Bank (Hong Kong) Limited as agent (the "**2021 Facilities Agreement**"), and (ii) voluntarily prepaid in full prior to its scheduled maturity date, a US$1.8 billion term loan borrowed under a facility agreement dated 10 September 2019 with, among others, Standard Chartered Bank (Hong Kong) Limited as agent (the "**2019 SCB Facility Agreement**").

As of 31 July 2022, our bank borrowings under the 2021 Facilities Agreement were secured with an account charge in favour of the security agent, pursuant to which security was provided over an account of FGL and the amounts standing to the credit of such account, together with the rights related thereto. Our 2021 Facilities Agreement contains standard terms, conditions, restrictions and covenants that are customary for commercial bank loans (including change of control pre-payment triggers). We also undertake to comply with financial covenants in our 2021 Facilities Agreement that require us to meet certain financial ratio requirements such as consolidated debt to consolidated equity and consolidated tangible net assets.

Medium-term notes and subordinated notes

The following table summarises our outstanding medium-term notes and subordinated notes as of 31 July 2022:

Issue date	Description	Nominal amount	Interest rate	Tenor
24 September 2014	Medium-term notes	US$325 million	5.00%	10 years
9 July 2019	Subordinated notes	US$550 million	5.75%	5 years
23 July 2019	Subordinated notes	US$250 million	5.75%	5 years
30 July 2019	Subordinated notes	US$100 million	5.75%	5 years

2024 Notes

On 24 September 2014, FL issued US$325,000,000 in aggregate principal amount of 5% notes due 2024 (the "**2024 Notes**"). The 2024 Notes are listed on the HKEX. Interest on the 2024 Notes is payable semi-annually in arrears on 24 March and 24 September of each year, starting from 24 March 2015.

The 2024 Notes mature on 24 September 2024. FL may redeem the 2024 Notes, in whole but not in part, at any time, together with the interest accrued to the date fixed for redemption, at a redemption price, in respect of each 2024 Note, (i) the principal amount of such 2024 Note or, if this is higher (ii) the amount equal to the sum of the present value of the principal amount of such 2024 Note, together with the present values of the interest payable for the relevant interest periods from the relevant date fixed for redemption to the maturity date, in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 0.50%, all as determined by the determination agent appointed by FL. In addition, the 2024 Notes are subject to redemption, in whole but not in part, at their principal amount, together with the interest accrued to the date fixed for redemption, at the option of FL at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain change of control events, FL may be required to offer to purchase 2024 Notes from holders at a price equal to 101% of their principal amount together with interest accrued to the date fixed for redemption.

The 2024 Notes are unsecured obligations of FL and rank equal in right of payment without any preference among themselves and at least equal in right of payment with all other existing and future unsecured and unsubordinated obligations of FL, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

As of 31 March 2022 and 31 July 2022, the outstanding principal amount of the 2024 Notes was US$325 million.

For details of the consent solicitation relating to the 2024 Notes and the other debt securities and perpetual securities, please see "*– Debt Restructuring.*"

2024 Subordinated Notes

In July 2019, FGL issued US$900,000,000 in aggregate principal amount of 5.75% subordinated notes due 2024 (the "**2024 Subordinated Notes**"), which consists of US$550 million issued on 9 July 2019, US$250 million issued on 23 July 2019 and US$100 million issued on 30 July 2019. The 2024 Subordinated Notes are listed on the HKEX. Interest on the 2024 Subordinated Notes is payable semi-annually in arrears on 9 January and 9 July of each year, starting from 9 January 2020.

The 2024 Subordinated Notes mature on 9 July 2024. Before 9 July 2024, FGL may redeem the 2024 Subordinated Notes, in whole but not in part, at the option of FGL, subject to certain provisions, (i) at their principal amount, together with interest accrued to the date fixed for redemption, at any time in the event of certain changes affecting the taxes of Cayman Islands or Hong Kong, (ii) at 101% of the outstanding principal amount of the 2024 Subordinated Notes, together with any interest accrued but unpaid to the date fixed for redemption if an [**REDACTED**] has occurred or (iii) at 101% of the outstanding principal amount of the 2024 Subordinated Notes, together with any interest accrued but unpaid to the date fixed for redemption, upon the occurrence of a change of control event, on giving not less than 30 nor more than 60 days' notice to the holders of the 2024 Subordinated Notes. By the 30th day following the occurrence of a change of control event, if FGL does not give an irrevocable notice to redeem the 2024 Subordinated Notes, the interest rate will increase to the aggregate of 5.00% per annum and the interest rate, with effect from (i) the next interest payment date; or (ii) if the date on which a change of control event occurs is prior to the most recent preceding interest payment date, such interest payment date. FGL will have the option to redeem the 2024 Subordinated Notes, in whole, but not in part, upon giving the requisite notice following the completion of the [**REDACTED**].

The 2024 Subordinated Notes are unsecured and subordinated obligations of FGL and rank equal in right of payment without any preference or priority payment among themselves and with any parity obligations of FGL, which includes the June 2017 Perpetual Securities and preference shares issued by FGL in December 2013 and August 2015.

As of 31 March 2022 and 31 July 2022, the outstanding principal amount of the 2024 Subordinated Notes was US$900 million.

For details of the consent solicitation relating to the 2024 Subordinated Notes and the other debt securities and perpetual securities, please see "*– Debt Restructuring*."

Convertible preference shares

Prior to the [**REDACTED**], each of FL and FGL has outstanding convertible preference shares issued through various rounds of equity financing. We expect that upon the completion of the [**REDACTED**], both FL's and FGL's outstanding convertible preference shares will be exchanged for our Shares.

See "*Share Capital.*"

Perpetual securities

As of 31 July 2022, we had outstanding perpetual securities in an aggregate nominal amount of US$1,550 million and a carrying value of US$1,363 million. These perpetual securities have been issued by FL and FGL. FL and FGL may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, FL and FGL cannot declare or pay any dividend on its ordinary or preference share capital, except if payments are declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, or consultants. The perpetual securities have been treated as equity in the Group's consolidated statements of financial position. If the June 2017 Perpetual Securities are redeemed, the equity and EV of the Group will be further reduced by the difference between the face value and the equity amount of these securities in the Group's consolidated statements of financial position at such time. FL and FGL use the proceeds from the issuances for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness. During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the Group paid distributions of US$27 million, US$65 million, US$65 million, and US$33 million, respectively. See Note 29.3 to the Accountants' Report included in Appendix I for details of perpetual securities issued and outstanding.

FL and FGL issued the following perpetual securities:

	Nominal amount	Distribution rate	Tenor
24 January 2017	US$250m	6.250%	Perpetual
15 June 2017	US$500m	*Note 1*	Perpetual
6 July 2017	US$250m	*Note 1*	Perpetual
1 February 2018	US$200m	5.500%	Perpetual
16 September 2019	US$600m	6.375%	Perpetual

(1) 0% for first 5 years, then US treasury benchmark rate +4.865% afterwards.

Carrying amount of the perpetual securities:

	As of 31 December			As of 31 March	As of 31 July
US$ millions	**2019**	**2020**	**2021**	**2022**	**2022**
					(Unaudited)
24 January 2017	255	255	255	–	–
15 June 2017	360	360	360	360	366
6 July 2017	179	179	179	179	181
1 February 2018	203	203	203	200	203
16 September 2019	611	610	610	600	613
	1,608	**1,607**	**1,607**	**1,339**	**1,363**

January 2017 Perpetual Securities

On 24 January 2017, FL issued US$250,000,000 in aggregate nominal amount of 6.250% Subordinated Perpetual Capital Securities (the "**January 2017 Perpetual Securities**"). The January 2017 Perpetual Securities are listed on the HKEX. The January 2017 Perpetual Securities confer upon the holders thereof a right to receive distributions for the period from and including 24 January 2017 at the initial rate of 6.25% per annum. Subject to provisions relating to deferral of distributions, distributions are payable semi-annually in arrears on 24 January and 24 July of each year, starting from 24 July 2017. The January 2017 Perpetual Securities have no fixed maturity and are redeemable in whole, but not in part, at FL's discretion, on or after 24 January 2022, at their nominal amount together with distribution accrued to such date fixed for redemption. After 24 January 2022, the rate of distribution will be reset every 5 calendar years to a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the January 2017 Perpetual Securities in relation to that reset period and (ii) the initial spread of 4.408%. In addition, the January 2017 Perpetual Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption (including any arrears), at the option of FL at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain events including a change of control, FL may redeem the January 2017 Perpetual Securities at such price in accordance with the terms of January 2017 Perpetual Securities.

An irrevocable notice of redemption was issued on 24 December 2021 for the redemption of the January 2017 Perpetual Securities on 24 January 2022. On 24 January 2022, the Group redeemed the January 2017 Perpetual Securities in full.

June 2017 Perpetual Securities

On 15 June 2017, FGL issued US$500,000,000 in aggregate principal amount of Zero Coupon Subordinated Perpetual Capital Securities (the "**June 2017 Perpetual Securities**"). The June 2017 Perpetual Securities are listed on the HKEX. Except in certain limited circumstances, the June 2017 Perpetual Securities do not confer upon the holders thereof a right to receive distributions before 15 June 2022. After 15 June 2022, the June 2017 Perpetual Securities confer upon the holders thereof a right to receive distribution from and including 15 June 2022 at a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the June 2017 Perpetual Securities in relation to that distribution period and (ii) the initial spread of 4.865%. Distributions are payable semi-annually in arrears on 15 June and 15 December of each year, with the first distribution payment date, except in certain circumstances, falling in June 2022. On or after 15 June 2022, the June 2017 Perpetual Securities may be redeemed at the option of FGL in whole, but not in part. In addition, the June 2017 Perpetual Securities are subject to redemption, in whole but not in part, at such price in accordance with the terms of June 2017 Perpetual Securities, at the option of FGL at any time in the event of certain changes affecting taxes of the Cayman Islands. Furthermore, upon the occurrence of certain events including a change of control, FGL may redeem the June 2017 Perpetual Securities at such price in accordance with the terms of June 2017 Perpetual Securities. In addition, the June 2017 Perpetual Securities may be redeemed by FGL at its option in whole, but not in part, at any time upon giving the requisite notice if an [**REDACTED**], such as the [**REDACTED**], has occurred.

On 6 July 2017, FGL issued an additional US$250,000,000 in aggregate nominal amount of the June 2017 Perpetual Securities, which were consolidated and formed a single series with the June 2017 Perpetual Securities issued on 15 June 2017.

As of 31 March 2022 and 31 July 2022, the carrying value of the June 2017 Perpetual Securities was US$539 million and US$547 million, respectively.

A notice was issued on 16 May 2022 announcing FGL had decided not to exercise its option to redeem the June 2017 Perpetual Securities on 15 June 2022 and as a result, 2017 Perpetual Securities will remain outstanding following 15 June 2022. A subsequent notice issued on 15 June 2022 provided that, in accordance with the terms of the June 2017 Perpetual Securities, the Distribution Rate (as defined in such terms) for the period commencing from and including 15 June 2022 to but excluding 15 June 2027 will be 8.045 per cent. with distributions payable semi-annually in arrear.

For details of the consent solicitation relating to the June 2017 Perpetual Securities and the other perpetual securities and debt securities, please see "*– Debt Restructuring.*"

2018 Perpetual Securities

On 1 February 2018, FL issued US$200,000,000 in aggregate nominal amount of 5.50% Subordinated Perpetual Capital Securities (the "**2018 Perpetual Securities**"). The 2018 Perpetual Securities are listed on the HKEX. The 2018 Perpetual Securities confer upon the holders thereof a right to receive distributions for the period from and including 1 February 2018 at an initial rate of 5.50% per annum. Subject to provisions relating to cancellation of distributions, distributions are payable semi-annually in arrears on 1 February and 1 August of each year, starting from 1 August 2018. FL may, at its sole discretion, elect to cancel (in whole or in part) distributions by providing holders of the 2018 Perpetual Securities with not more than 10 nor less than 5 business days' notice prior to the relevant distribution payment date. The 2018 Perpetual Securities have no fixed final redemption date and are redeemable in whole, but not in part, at FL's discretion, on or after 1 February 2023, at their nominal amount, together with distributions accrued to such date fixed for redemption. After 1 February 2023, the rate of distribution will be reset every 5 calendar years to a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the 2018 Perpetual Securities in relation to that reset period and (ii) the initial spread of 3.075%. In addition, the 2018 Perpetual Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption, at the option of FL at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain events including a change of control, FL may redeem the 2018 Perpetual Securities at such price in accordance with the terms of 2018 Perpetual Securities. In addition, the 2018 Perpetual Securities may be redeemed by FL at its option in whole, but not in part, at any time upon giving the requisite notice if an [**REDACTED**], such as the [**REDACTED**], has occurred.

As of 31 March 2022 and 31 July 2022, the carrying value of the 2018 Perpetual Securities was US$200 million and US$203 million, respectively.

For details of the consent solicitation relating to the 2018 Perpetual Securities and the other perpetual securities and debt securities, please see "*– Debt Restructuring*."

2019 Perpetual Securities

On 13 September 2019, FGL issued US$600,000,000 in aggregate nominal amount of 6.375% Capital Securities (the "**2019 Perpetual Securities**"). The 2019 Perpetual Securities are listed on the HKEX. The 2019 Perpetual Securities confer upon the holders thereof a right to receive distributions for the period from and including 13 September 2019 at an initial rate of 6.375% per annum. Subject to provisions relating to deferral of distributions, distributions are payable semi-annually in arrears on 13 March and 13 September of each year, starting from 13 March 2020. FGL may, at its sole discretion, elect to defer distributions otherwise scheduled to be paid on a distribution payment date to the next distribution payment date by providing holders of the 2019 Perpetual Securities with not more than 10 nor less than 5 business days' notice prior to the relevant distribution payment date. The 2019 Perpetual Securities have no fixed final redemption date and are redeemable in whole, but not in part, at FGL's discretion, on or after 13 September 2024, at their nominal amount, together with any distributions accrued to such date fixed for redemption. After 13 September 2024, the rate of distribution will be reset every 5 calendar years to a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the 2019 Perpetual Securities in relation to that reset period and (ii) the initial spread of 4.876%. In addition, the 2019 Perpetual Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption (including any arrears), at the option of FGL at any time in the event of certain changes affecting taxes of the Cayman Islands. Furthermore, upon the occurrence of certain events including a change of control, FGL may redeem the 2019 Perpetual Securities at such price in accordance with the terms of 2019 Perpetual Securities. In addition, the 2019 Perpetual Securities may be redeemed by FGL at its option in whole, but not in part, at any time upon giving the requisite notice if an [**REDACTED**], such as the [**REDACTED**], has occurred.

As of 31 March 2022 and 31 July 2022, the carrying value of the 2019 Perpetual Securities was US$600 million and US$613 million, respectively.

For details of the consent solicitation relating to the 2019 Perpetual Securities and the other perpetual securities and debt securities, please see "*– Debt Restructuring*."

Ratings

As of the Latest Practicable Date, FL has received the following ratings.

FWD Limited Ratings	**Moody's**	**Fitch**
Issuer Default Rating	Baa3	BBB+
Senior Unsecured	Baa3	BBB

Debt Restructuring

To centralise the treasury functions of our Group, we plan to restructure the outstanding indebtedness of our subsidiaries, FGL and FL, such that all such indebtedness is either transferred to our Company and/or redeemed or repaid and/or refinanced.

To this end, FGL and FL solicited and obtained consents of the holders of all existing series of notes, subordinated notes and perpetual securities issued by FGL and FL, in each case to amend the terms of the relevant instrument to substitute the relevant issuer with our Company, among other things. Please see Note 29.3 to the Accountants' Report in Appendix I for details of the existing series of perpetual securities issued by FGL and FL.

In line with customary market practice, we expect to pay certain fees to the public holders of the notes, the subordinated notes and the perpetual securities who consented to the proposed amendments by the relevant deadlines.

The effectiveness of the consents of the holders of the notes, the subordinated notes and the perpetual securities is conditioned on, among other things, (a) all requisite regulatory approvals for the implementation of the relevant proposal(s) under the consent solicitation having been obtained by the Group and any notice periods imposed by any regulatory authority with respect to such proposal having lapsed or been waived, (b) the completion of any significant equity raising exercise by us, which may be by way of the [**REDACTED**] or otherwise, (c) our being reasonably satisfied that, upon the implementation of the relevant proposal(s) under the consent solicitation, Fitch Ratings Limited will assign a long-term issuer default rating and Moody's Investors Service Limited will assign a long-term issuer rating to our Company equal to or higher than the long-term issuer rating of FL prevailing at such time, and (d) in respect of each of FGL's existing loan agreements, either (x) lender consent in respect to such loan agreement having been obtained for the novation of such loan agreement from FGL to our Company, or (y) such loan agreement having been (i) fully prepaid, (ii) fully repaid, or (iii) otherwise refinanced by new facilities borrowed by our Company. We may waive condition (d) in our discretion.

The effectiveness of the consent in respect of any series is not conditional on the effectiveness of the consent in respect of any other series and we have the discretion to implement the relevant proposal(s) in respect of none, one, some or all of the series in respect of which consent is obtained. The proposals under the consent solicitation may therefore be implemented only with respect to some but not all of the series of notes, subordinated notes and perpetual securities. As a result, upon the effectiveness of the relevant proposal(s) under the consent solicitation, there may continue to be notes, subordinated notes and/or perpetual securities outstanding at the FGL and/or FL level.

We cannot assure that we will be able to effect the proposals with respect to any or all series, on the proposed timetable or at all.

The 2021 Facilities Agreement includes a pre-defined novation feature allowing the loans to novate from FGL (the initial and current borrower) to our Company upon the satisfaction of certain conditions.

Hedging

We follow a clearly defined hedging strategy in respect of our foreign exchange exposures. All foreign exchange related asset and liability mismatches are reviewed at Investment Committee meetings, and appropriate foreign exchange hedges are in place to ensure that local statutory solvency ratios are maintained at acceptable levels. Where foreign currency fixed income assets are used to back local currency liabilities, we hedge currency exposure by using foreign exchange forward contracts or cross currency swap contracts. For example, while all of FWD Thailand's liabilities are denominated in Thai Baht, it invests in certain assets denominated in US dollars. It uses forward currency contracts and cross currency swap contracts to hedge the currency mismatch between its liabilities to policyholders and its assets to maintain its currency exposure within an acceptable level. Similar hedging strategies are adopted by our Japan and Hong Kong (and Macau) businesses and FWD Reinsurance. Our other businesses do not have foreign exchange related asset and liability mismatches.

Contractual Obligations and Commitments

Contractual Obligations

The table below summarises the future estimated cash payments related to certain contractual obligations as of 31 March 2022. The estimated payments reflected in this table are based on management's estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the actual cash outflows in future periods will vary, possibly materially, from those reflected in the table. In addition, we do not believe that our cash flow requirements can be adequately assessed based solely upon an analysis of these obligations, as the table below does not contemplate all aspects of our cash inflows, nor all aspects of our cash outflows.

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(US$ millions)		
Type of Commitments					
Long-term debt obligations(1)	2,453	87	2,366	–	–
IFRS 16 lease obligations(2)	131	45	56	22	8
Investment and capital commitments(3)	1,108	292	584	232	–
Purchase obligations(4)	237	28	175	–	34
Insurance and investment contract liabilities(5)	174,045	4,404	9,236	8,345	152,060
Other long-term liabilities(6)	400	36	25	–	339
Total	**178,374**	**4,892**	**12,442**	**8,599**	**152,441**

Notes:

(1) Amounts reflect the contractual maturities of the undiscounted cash flows (including contractual interest payments) due to be paid assuming conditions are consistent with those at 31 March 2022. These consist of bank borrowings, medium-term notes and subordinated notes and excludes the perpetual securities which, as discussed in Note 29.3 to the Accountants' Report included in Appendix I, are treated as equity for accounting purposes. Interest payments have been determined taking into account the effect of interest rate swaps used to hedge floating interest rates.

(2) Payments on lease obligations in scope of IFRS 16 (Leases), as described in Note 2.1(a) to the Accountants' Report included in Appendix I.

(3) Investments and capital commitments relate to our Group's commitments to invest in private equity partnerships.

(4) These purchase obligations are discussed below in "– *Other commitments.*"

(5) Amounts shown represent estimated undiscounted cash flows in respect of our insurance and investment contracts. These primarily relate to the expected payment of death and disability claims, policy surrenders and withdrawals, policyholder dividends and policy maturities. These estimated cash flows are based on our current mortality, morbidity, lapse and investment return assumptions. They include expected commission payments on the policies in-force and exclude projected recoveries from reinsurance agreements. They are undiscounted and therefore exceed the liabilities arising from insurance and investment contracts included in the consolidated balance sheet.

(6) Consists of distribution agreement payables (excluding those contingent on future channel performance) and other payables.

Other commitments

In addition to our commitments to invest in private equity partnerships as outlined under Contractual Obligations, as of 31 March 2022, we have committed to making the following investments and business acquisitions, which are presented as purchase obligations in the above table of contractual obligations:

- As of 31 March 2022, we had planned to invest US$83 million in Malaysia until 2024.

- As at 31 March 2022, we have agreed to make additional payments in aggregate amounts of up to US$154 million for various acquisitions and investments. For more information, see Note 36 to the Accountants' Report included in Appendix I.

We have funded and expect to continue to fund our contractual obligations and other commitments by using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities.

Off-Balance Sheet Obligations and Contingent Liabilities

We do not have any outstanding off-balance sheet arrangements. Other than those incurred in the normal course of our insurance business and disclosed in the financial statements, there were no outstanding contingent liabilities as of 31 March 2022.

Related Party Transactions

During the Track Record Period, we entered into a number of related party transactions from time to time, details of which are set forth in Note 35 to the Accountants' Report included in Appendix I. Our Directors have confirmed that all business transactions with related parties were conducted in the ordinary course of business and on an arm's length basis. They did not have a material impact on our results of operations during the Track Record Period. All non-trade balances will be settled prior to [**REDACTED**], other than certain transactions identified in Note 35 to the Accountants' Report included in Appendix I.

Qualitative and Quantitative Disclosure About Market Risk

Market risk arises due to fluctuations in market prices and rates. We are exposed to a variety of market risks, including, but not limited to, interest rate risk, equity market price risk, foreign exchange rate risk and liquidity risk.

Interest rate risk

Our exposure to interest rate risk predominantly arises from any difference between the duration of our assets and liabilities, or any difference between the return on investments and the return required to meet our commitments, primarily in our traditional insurance liabilities. This exposure is heightened in products with inherent interest rate options or guarantees. We seek to manage our interest rate risk by ensuring appropriate product design and underlying assumptions as part of our product approval process and by matching, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is not possible to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by our ALMCO. See "*Business – Investments and Asset Management.*" The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

The sensitivity analysis below illustrates the estimated impact on profits and shareholder's equity arising from a change in a single variable before taking into account the effects of taxation.

	As of 31 December						As of 31 March	
	2019		2020		2021		2022	
	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
	(US$ millions)							
+50 basis points shift in yield curves	4	(1,350)	18	(1,611)	20	(1,863)	17	(1,890)
-50 basis points shift in yield curves	(4)	1,381	(17)	1,664	(20)	2,061	(16)	1,971

Equity market price risk

Our equity market price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in equity market prices, principally investment securities not held for the account of unit-linked policyholders. We manage these risks by setting and monitoring investment limits in each country and sector. The sensitivity analysis below illustrates the estimated impact on profits and shareholder's equity arising from a change in a single variable before taking into account the effects of taxation.

	As of 31 December						As of 31 March	
	2019		2020		2021		2022	
	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
	(US$ millions)							
10% increase in equity prices	184	–	229	–	323	–	349	–
10% decrease in equity prices	(184)	–	(229)	–	(323)	–	(349)	–

Foreign exchange rate risk

We are exposed to foreign exchange rate risks as a result of having business operations in various jurisdictions and from financial assets and liabilities that are denominated in foreign currencies. Our financial assets are predominantly denominated in the same currencies (or, in the case of Hong Kong, US dollars) as our insurance liabilities, which serves to mitigate the foreign exchange rate risk. The level of currency risk we take on is managed and monitored by our ALMCO, through regular monitoring of currency positions of financial assets and insurance contracts.

In some markets, primarily in Thailand and Japan, where most of the assets backing the underlying liabilities are in the same local currencies, we also have liabilities on a local statutory basis that are backed by assets in other foreign currencies. Taking into account a much deeper pool of assets available in US dollars, these assets are mainly US dollar-denominated assets. Such currency mismatches are handled through hedging programmes that target minimising the mismatch on a local statutory basis for local solvency purposes.

Liquidity risk

We are exposed to liquidity risk in respect of insurance contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions. To manage liquidity risk, we have implemented a variety of measures, with an emphasis on flexible insurance product design, so that we can retain the greatest flexibility to adjust contract pricing, crediting rates or other non-guaranteed policyholder dividends. We also seek to match, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance contracts. We perform regular monitoring of our liquidity position through cash flow projections.

Critical Accounting Policies and Estimates

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. 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 judgments 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.

We have identified below certain accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report included in Appendix I.

Investment return

Our investment return consists of investment income and investment experience. Investment income consists of dividends, interest and rents receivable for the reporting period. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. We recognise investment income as it accrues, taking into account the effective yield on the investment. Dividend income is recognised by us on the date the shares become quoted ex-dividend. We recognise rental income on investment property on an accrual basis.

We recognise realised gains or losses on the disposal of an investment based on the difference between the proceeds received from disposing an investment, net of transaction costs, and the original cost or the amortised cost of such investment, as appropriate. Unrealised gains and losses represent the difference between the carrying value of an investment at the period end and the carrying value of such investment at the previous year end or its purchase price, if purchased during the period, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the period.

Other fee and commission income

Our other fee and commission income primarily consists of fund management fees, income from any incidental noninsurance activities, distribution fees from mutual funds and commissions on reinsurance ceded.

We measure income based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. In case of variable consideration contracts, revenue is recognised by us to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

Product classification

Pursuant to IFRS 4 Insurance Contracts, we classify contracts written by us as either insurance contracts or investment contracts, depending on the level of insurance risk we take on pursuant to a given contract. We issue contracts that transfer insurance risk, financial risk or both types of risks. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those that do not involve significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some of our insurance and investment contracts, referred to as 'participating business', have discretionary participation features ("**DPF**"), which may entitle a customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. We apply the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as we do for insurance contracts. In certain jurisdictions in which we operate, participating business is written in a participant fund which is distinct from our other assets. The allocation of benefits from assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation and the extent of such policyholder participant may change over time. In certain jurisdictions, participating business is not written in a distinct fund and we refer to this as "other participating business".

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require us to pay significant additional benefits to our customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, IAS 39 Financial Instrument: Measurement and Recognition, and, if the contract includes an investment management element, IFRS 15, Revenue from Contracts with Customers, are applied. IFRS 4 permits the continued use of previously applied accounting policies for insurance contracts and investment with DPF and this basis has been adopted by the Group in accounting for such contracts. Once a contract has been classified as an insurance or investment contract, such contracts are not subsequently reclassified unless the terms of those agreements are later amended.

Our judgments in determining the level of insurance risk in product classification can affect the amounts recognised in our consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs.

Life insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

IFRS 4 permits a wide range of accounting treatments to be adopted for the recognition and measurement of insurance contract liabilities, including liabilities in respect of insurance and investment contracts with DPF. For traditional life insurance policies, insurance contract liabilities represent the estimated future policyholder benefit liability for such policies, which is calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders.

For investment-linked contracts, contract liabilities are directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. We record these liabilities at fair value, determined with reference to the accumulation value and unearned revenue liability and sales inducement liability where applicable.

Settlement options are accounted for as an integral component of the underlying insurance or investment contract unless they provide annuitisation benefits, in which case an additional liability is established to the extent that the present value of expected annuitisation payments at the expected annuitisation date exceeds the expected account balance at that date. Where settlement options have been issued with guaranteed rates less than market interest rates, the insurance or investment contract liability does not reflect any provision for subsequent declines in market interest rate unless deficiency is identified through liability adequacy testing.

We account for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon our rules on profit distribution. We account for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.

In a limited number of cases, we measure insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction. The insurance contract liabilities of those countries are predominately measured at the net present value of future receipts from and payments to policyholders. The discount rate applied reflects the current market rate. The excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of service provided to the policyholder. The movement in insurance contract liabilities recognised in the profit or loss reflects the planned release of this margin.

Cash flows of our traditional insurance contracts are discounted using the appropriate long-term investment return assumptions that reflect the expected underlying asset mix. In determining the long-term returns on the fixed income assets, an allowance is made for the risk of default which varies by the credit rating of the underlying asset. The Group has set the equity return and property return assumptions by reference to the long-term return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory. Further, an adjustment is made to the long-term investment return assumptions to provide for the risk of adverse deviation. These assumptions are determined at the policy inception date and remain locked in thereafter, unless a deficiency arises on liability adequacy testing.

Investment contract liabilities (for investment contracts without DPF)

We account for deposits collected and benefit payments received under investment contracts without DPF directly through our consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance. The majority of our contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. We record those liabilities at fair value, determined with reference to the accumulation value (current unit value) and the unearned revenue liability and sales inducement liability, where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

Non-unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, we measure unearned revenue liability based on the value of the future best estimate cash flows discounted at the effective interest rate. We immediately recognise any adjustment as income or expense in the consolidated income statement. The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

Share-Based Compensation and Valuation of Share Awards including Options

During the Track Record Period, pursuant to the Share Option and RSU Plan, we have offered share awards including options to reward certain key employees and eligible participants for their services and achievement of shareholder value targets. The Share Option and RSU Plan are equity-settled plans. Under an equity-settled share-based compensation plan, the fair value of the employees' services received in exchange for the award of share awards including options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards including options awarded on respective grant dates and an assessment of performance conditions. The Board adopted the Share Award Plan and the Employee Share Purchase Plan on 30 January 2022 (and amended by the Board on [·]) to provide our Company with flexibility to incentivise and retain talent. See *"Statutory and General Information – D. Equity Incentive Plans" in Appendix V.*

We estimate the fair value of the awards using appraisal value method (EV plus a multiple of VNB) for the RSUs and the Black-Scholes model for the share options, taking into account the terms and conditions upon which the awards were granted. In the case of share options, our use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including dividend yield, expected share price volatility, risk free interest, expected term of the options and appraisal value of our share price. These assumptions and estimates are as follows:

- *Fair value appraisal* – Because our ordinary shares have not been publicly traded, we must estimate the fair value of our shares. Our Board of Directors considers numerous objective and subjective factors to determine the fair value of our ordinary shares as awards are approved, including utilising third-party valuations to assist with the determination of the estimated fair-market value and ordinary share price.

- *Expected dividend yield* – The annual rate of dividends is expressed as a dividend yield which is a constant percentage of the stock price. We use an expected dividend yield of zero.

- *Expected term* – The expected life of an option represents the period of time that an option is expected to be outstanding. The expected term of an award is determined using the simplified method for plain vanilla options, consistent with applicable accounting guidance.

- *Risk-free interest rate* – The risk-free interest rate is based on the rate of U.S. treasury securities with maturities consistent with the estimated expected term of the awards.

- *Expected volatility* – As we do not have a trading history of our ordinary shares, there is no historical basis of the stock volatility. Accordingly, the expected volatility is based primarily on the historical volatilities of similar entities' shares over the most recent period commensurate with the estimated expected term of the awards.

The assumptions utilised to determine the fair value of share options granted are presented in the following table:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021[(1)]**	**2021**	**2022**
Risk-free interest rate	0.84%	0.02%	N/A	N/A	N/A
Volatility	30.00%	30.00%	N/A	N/A	N/A
Dividend yield	0.00%	0.00%	N/A	N/A	N/A
Exercise price (US$ per share)	0.01	0.01	N/A	N/A	N/A

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021[(1)]	2021	2022
Expected life of share options (in years)	1.50	0.50	N/A	N/A	N/A
Weighted average share price (US$ per share)	228.17	202.11	N/A	N/A	N/A
FGL	121.84	104.42	N/A	N/A	N/A
FL	106.33	97.69	N/A	N/A	N/A

Note:

(1) No options were granted in 2021 and the three months ended 31 March 2022.

In assessing the performance conditions, we take into account all monthly cash flow items during the performance period and the appraisal value determined in accordance with the guidelines approved by the Compensation Committee.

The determination of fair value of share awards including options and the assessment of achievement of performance conditions are inherently subjective, and would affect the amounts we recognise in the consolidated financial statements as share-based payment expense and share-based payment reserve. If factors change and different assumptions are used, our share-based compensation expense could be materially different in the future.

Deferred acquisition costs

Insurance contracts

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset. We assess DAC for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. We assess DAC for recoverability at least annually thereafter in the liability adequacy test together with the provision for life insurance liabilities and VOBA. Future investment income is also taken into account in assessing recoverability. We expense these costs in our income statement to the extent that acquisition costs are not considered to be recoverable at inception or thereafter.

DAC for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

DAC for universal life and unit-linked contracts is amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrenders, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly. The interest rate used to compute the present value of revised estimates of expected gross profits is locked-in at policy inception. Deviations of actual results from estimated experience are reflected in earnings.

In a limited number of cases where we measure insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction, acquisition costs deemed recoverable are included as a component of insurance contract liabilities, and are therefore deferred and amortised over the life of the corresponding policies.

Investment contracts

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. We test the recoverability of DAC at each reporting date. The cost of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Liability adequacy testing

We evaluate the adequacy of our insurance and investment contract liabilities at least annually. We exercise significant judgment in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. We assess liability adequacy on a portfolio of contracts in accordance with our manner of acquiring, servicing and measuring the profitability of our insurance contracts.

For life insurance contracts, insurance contract liabilities reduced by DAC and VOBA on purchased insurance contracts, are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balances of DAC and VOBA on purchased insurance contracts are written down to the extent of the deficiency. If, after writing down the unamortised balances for the specific portfolio of contracts to zero, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

For life reinsurance contracts, we perform liability adequacy testing by comparing the carrying value of reinsurance contract liabilities less DAC with the fair value of the liabilities from the reinsurance portfolio recognised. If there is a deficiency, the unamortised balances of DAC are written down to the extent of the deficiency. If, after writing down the unamortised balances of DAC to zero, a deficiency still exists, the liability is increased by the amount of the remaining deficiency.

The judgments we exercise in liability adequacy testing affect amounts recognised in our financial statements such as commission and other acquisition expenses, DAC, insurance contract benefits and investment contract liabilities.

Financial instruments

Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss comprise two categories: (i) financial assets or liabilities designated at fair value through profit or loss upon initial recognition; and (ii) financial assets or liabilities classified as held for trading. We designate financial assets and liabilities at fair value through profit or loss if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back unit-linked contracts and participating funds;
- other financial assets managed on a fair value basis, consisting of our equity portfolio; and
- compound instruments containing embedded derivatives, where the embedded derivative would otherwise require bifurcation.

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

Dividend income from equity instruments designated at fair value through profit or loss is recognised in investment income in the consolidated income statement, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets designated at fair value through profit or loss, changes in fair value are recognised in investment experience.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

Available for Sale Financial Assets

Financial assets, other than those at fair value through profit or loss, and loans and receivables, are classified as available for sale. We use the available for sale category where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of our debt securities (other than those backing unit-linked contracts) which are neither classified as held for trading nor designated at fair value through profit or loss. Available for sale financial assets are initially recognised at fair value plus attributable transaction costs. For available for sale debt securities, the difference between their cost and par value is amortised. Available for sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available for sale is recognised in investment income in the consolidated income statement using the effective interest method.

Unrealised gains and losses on securities classified as available for sale are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on debt securities are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement as investment experience.

Changes in the fair value of securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity. Impairment losses and relevant foreign exchange gains and losses are recognised in our consolidated income statement.

Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash generating units. We test these assets for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgment regarding the selection of appropriate valuation techniques and assumptions.

IFRS 17 Insurance Contracts

The IFRS 17 Insurance Contracts standard will replace the current IFRS 4 Insurance Contracts standard, and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in our consolidated financial statements. IFRS 17 provides the general model which is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits, supplemented by the variable fee approach for contracts that provide both insurance coverage and investment-related service, and the premium allocation approach that applies to short-duration contracts. Insurance revenue will no longer be measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. Additionally, IFRS 17 introduces a new presentation format for the statement of comprehensive income and requires more extensive disclosures. IFRS 17 will be effective for annual reporting periods beginning on or after 1 January 2023, with retrospective application and comparative figures required. If full retrospective application to a group of contracts is impractical, the modified retrospective approach or fair value method may be used.

IFRS 17 will require significant changes to the accounting policies for our insurance contract liabilities and enhancements to the IT, finance and actuarial systems. We are assessing the implications of IFRS 17 and expect that it will likely to have a significant impact on our profit or loss, total equity, financial statement presentation and disclosures. See "*Risk Factors – Risks Relating to the Insurance Industry – IFRS 17 could have a material adverse effect on the reporting of our financial results.*"

[REDACTED]

[**REDACTED**]

Dividends, Dividend Policy and Distributable Reserves

Our Company has not declared or made any dividend or other distribution to its shareholders in the past and it does not have any present plan to declare or pay any dividends on its ordinary shares in the foreseeable future. The Group currently intends to retain most, if not all, of available funds and any future earnings to operate and expand the business. Any other future determination to pay dividends will be made at the discretion of our Board and subject to our constitutional documents and applicable laws and regulations. In addition, we are required to obtain the HKIA's prior written consent before declaring or paying dividends on our ordinary shares. See "*Risks Relating to the* [**REDACTED**] *– Because we do not expect to pay cash dividends in the foreseeable future after the* [**REDACTED**]*, you may not receive* *any return on your* [**REDACTED**] *unless you sell your Shares for a* [**REDACTED**] *greater than that which you paid for them.*" and "*Regulatory Overview and Taxation – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Payment of dividends.*" The Group may also be subject to certain covenants in outstanding indebtedness which may restrict its ability to declare or pay any dividend on its ordinary shares. If we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant.

As of 31 March 2022, our Company did not have any distributable reserves as of that date.

Disclosure required under the Listing Rules

Save as otherwise disclosed in this document, the Directors have confirmed that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.

No business interruption

The Directors confirm that there has not been any interruption in our business which may have or has had a significant effect on our financial position in the 12 months preceding the date of this document.

No Material Adverse Change

The Directors believe that there has been no material adverse change in our financial or trading position since 31 March 2022 and there has been no event since 31 March 2022 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this document.

[**REDACTED**]

[**REDACTED**] represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**]) and no exercise of the [**REDACTED**], estimate that we have or will incur [**REDACTED**] of approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million, accounting for [**REDACTED**]% of our [**REDACTED**] from the [**REDACTED**]), of which approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is directly attributable to the [**REDACTED**] and is expected to be accounted for as a deduction from equity premium directly upon [**REDACTED**], and approximately US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) has been or is expected to be expensed. The estimated [**REDACTED**] consists of (i) [**REDACTED**]-related expenses (including [**REDACTED**] fees and commissions) of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million), (ii) fees and expenses of legal advisers and accountants of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) and (iii) other fees and expenses of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million). As of 31 March 2022, we incurred [US$30.6] million (equivalent to approximately [HK$238.4] million) of expenses relating to the [**REDACTED**], of which [**REDACTED**] million (equivalent to approximately [**REDACTED**] million) has been charged to the consolidated income statement of the Group and [US$5.1] million (equivalent to approximately [HK$40.1] million) is expected to be accounted for as a deduction from equity premium directly upon [**REDACTED**].

To enhance investors' understanding of our economic value and profitability, we have disclosed information regarding our embedded value, as discussed below. These measures are determined on a discounted cash flow valuation using commonly applied actuarial methodologies and based on certain assumptions as outlined in the Actuarial Consultant's Report. There is no single adopted standard for the determination or presentation of the embedded value of a life insurance company. Because of the technical complexity involved in these calculations and the fact that these estimates vary materially with any change in key assumptions, you should read the following discussion as well as the Actuarial Consultant's Report set out in Appendix III in their entirety, including the assumptions and limitations described therein, interpret the embedded value results with special care and seek the advice of experts familiar with the interpretation of embedded value results. The estimates contained herein and therein involve risks and uncertainties and are subject to change based on various factors, including those discussed under the captions "Risk Factors", "Responsibility Statement and Forward-Looking Statements" and "Financial Information".

We report our results of operations in accordance with IFRS. The embedded value method is a commonly adopted method of measuring the consolidated value of shareholders' interest in the in-force business of an insurance company. It is an estimate of the economic value of life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. In addition, VNB represents the value to shareholders arising from the new business issued in the last 12 months.

We have engaged Milliman, a third-party actuarial consulting firm, to prepare a report on its review of our embedded value as at 31 December 2019, 2020 and 2021, and 31 March 2022 and the value of new business in respect of new policies issued for the 12 months ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, as calculated by us. A copy of the Actuarial Consultant's Report is included in Appendix III. Except as specifically stated in the Actuarial Consultant's Report, Milliman has performed no audits, assessments or independent verification of the data, information and assumptions furnished to it by us. To the extent that there are any material errors in the information provided, the results of Milliman's analysis would be affected, possibly materially. The principal materials provided by us and relied upon by Milliman are listed in Appendix B to the Actuarial Consultant's Report included in Appendix III. The Actuarial Consultant's Report provides further information regarding Milliman's use of, and reliance on, the data and information supplied to it, as well as a more detailed description of the embedded value methodology and assumptions employed in the Actuarial Consultant's Report and the assumptions and limitations covering its work.

The Actuarial Consultant's Report includes information to illustrate the sensitivity of EV and VNB to changes in key assumptions, given the particular uncertainties associated with the future investment environment and other future operational uncertainties in relation to our portfolio of policies. We advise you to consider this information in order to gain an understanding of the impact on the EV and VNB of differences between actual future experience and individual assumptions underlying the calculations. The sensitivities shown for each element of future investment and operational experience do not encompass the full range of potential outcomes.

The embedded value results are not intended to represent an opinion of market value and should not be interpreted in that manner. Actual market value is determined by investors, based on many factors. In particular, embedded value does not include the potential contribution arising from future new business which will depend on, among other things, the prospects of the Pan-Asian life insurance market, our future position in this market and the profitability of future new business.

The embedded value results are presented as at the valuation dates referenced above and are based on a series of assumptions as to the future. Except where otherwise stated in the Actuarial Consultant's Report included in Appendix III, the figures quoted therein as at any valuation date do not make allowance for any developments after such date. It should be recognised that actual future results may vary from those shown, on account of changes in the operating and economic environments and natural variations in experience and such differences may be material. No warranty is given that future experience will be in line with the assumptions made.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following the completion of the [**REDACTED**]:

(i) Authorised share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
2,500,000,000	Shares	US$25,000,000

(ii) Issued and to be issued, fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares
908,055,889	Shares in issue as at the date of this document	US$9,080,558.89
[**REDACTED**]	Shares to be issued pursuant to Phase 2 of the Reorganisation	US$[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	US$[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	US$[**REDACTED**]
[**REDACTED**]	Total	US$[**REDACTED**]

ASSUMPTIONS

The above table assumes that (a) Phase 2 of the Reorganisation, the [**REDACTED**] and the [**REDACTED**] have become unconditional and completed; (b) in accordance with Phase 2 of the Reorganisation, the CPS of FL and FGL are converted to Shares based on the [**REDACTED**] and the expected [**REDACTED**] of [**REDACTED**]; and (c) the [**REDACTED**] is not exercised; and do not take into account any Shares which may be issued between the Latest Practicable Date and the [**REDACTED**] to satisfy any exercise of any [**REDACTED**] granted or to be granted under the [**REDACTED**] Awards, or issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase shares. For further details in respect of calculations of the number of Shares converted from the ordinary shares, preference shares and CPS of FL and FGLas a result of Phase 2 of the Reorganisation, please refer to the section headed "*History, Reorganisation and Corporate Structure – Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*".

RANKING

The [**REDACTED**] will rank *pari passu* in all respects with all of the Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

[**REDACTED**]

In order to satisfy the [**REDACTED**] Awards and the awards to be granted under the Equity Incentive Plans, the Shareholders have passed a resolution on [·] to authorise the Directors to capitalise the sum of [US$[**REDACTED**]] standing to the credit of the share premium account of our Company to allot and issue [**REDACTED**] Shares to the trustee of the Equity Incentive Plans. Such issue will be completed at the same time of the completion of the [**REDACTED**]. [Out of the [**REDACTED**] Shares to be issued to the trustee, up to [**REDACTED**] Shares will be used to satisfy the [**REDACTED**] Awards as they vest and/or are exercised after the [**REDACTED**] and a minimum of [**REDACTED**] Shares will be used to satisfy the future awards to be granted under the Equity Incentive Plans after the [**REDACTED**][(1)].] The Shares to be allotted and issued pursuant to this resolution shall rank pari passu with all existing Shares.

EQUITY INCENTIVE PLANS

Our Group has adopted the Share Option and RSU Plan, the Share Award Plan and the Employee Share Purchase Plan. Please refer to "*Appendix V – Statutory and General Information – D. Equity Incentive Plans.*"

(1) Some of the [**REDACTED**] Awards were granted under the Share Option and RSU Plan in respect of FL and FGL shares. The maximum number of Shares disclosed here (and the percentage of our issued share capital) underlying the [**REDACTED**] Awards immediately following the completion of the [**REDACTED**] is calculated based on the [**REDACTED**] to show the maximum dilution impact. The final maximum number of Shares to be allotted and issued and/or transferred upon the vesting and/or exercise of the [**REDACTED**] Awards after the [**REDACTED**] will be disclosed in the allotment results announcement. If the maximum number of Shares needed to satisfy the [**REDACTED**] Awards increases because the [**REDACTED**] is higher than the [**REDACTED**], the number of Shares which remain available for future awards within the [**REDACTED**] Shares will be reduced accordingly.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may reduce its share capital by special shareholders' resolution. For more details, see "*Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law.*"

GENERAL MANDATES TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme of similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [**REDACTED**]; and

(ii) the nominal amount of our share capital repurchased by our Company (if any) under the general mandate to repurchase Shares.

This mandate to issue Shares will remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of our next annual general meeting of our Company; (ii) the end of the period within which our Company is required by the Memorandum and Articles of Association or any applicable laws to hold its next annual general meeting; or (iii) the date on which the resolution is varied or revoked by an ordinary resolution of our Shareholders at a general meeting (the "**Relevant Period**").

For further details of such general mandates, see "*Appendix V – Statutory and General Information – A. Further information about our Company*."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares on the [**REDACTED**], or on any other [**REDACTED**] on which the Shares may be listed (and which is recognised by the SFC and the [**REDACTED**] for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules, not exceeding in aggregate 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the [**REDACTED**], such mandate to remain in effect during the Relevant Period.

For further details of such general mandates, see "*Appendix V – Statutory and General Information – A. Further information about our Company*."

So far as is known to any Director or chief executive of our Company as at the Latest Practicable Date, immediately following the completion of the [**REDACTED**], the following persons (other than any Director or chief executive) will have an interest and/or short position (as applicable) in the Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests and Long Positions in Shares

		Shares held or interested immediately following the completion of the [REDACTED]	
Name of Shareholder	*Nature of Interest*	*Number of Shares*	*Approximate Percentage*
Mr. Li[(1)(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
PCGI Holdings[(1)]	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Fornax[(2)]	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Fornax Holding Company Limited[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Falcon 2019 Co-Invest A, L.P.[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Falcon 2019 Co-Invest GP[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Creative Mind Limited[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Bliss Horizon Limited[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Spring Achiever Limited[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Creative Knight Limited[(2)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Swiss Re Ltd[(3)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%

		Shares held or interested immediately following the completion of the [REDACTED]	
Name of Shareholder	*Nature of Interest*	*Number of Shares*	*Approximate Percentage*
Swiss Re[3]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Swiss Re Reinsurance Holding Company Ltd[3]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Swiss Re Asia Holding Pte. Ltd.[3]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
Swiss Re PICA[3]	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Trustee of the Equity Incentive Plans[4]	Trustee of Shares	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) PCGI Holdings is wholly-owned by Mr. Li.

(2) Fornax is wholly-owned by Fornax Holding Company Limited, which in turn is wholly-owned by the Falcon 2019 Co-Invest A, L.P., a Cayman Islands limited partnership in which Falcon 2019 Co-Invest GP acts as the general partner, and Spring Achiever Limited and Fornax Management Holding Company Limited act as the limited partners. Spring Achiever Limited is wholly-owned by Creative Knight Limited which in turn is wholly-owned by Mr. Li. Creative Mind Limited (which is wholly-owned by Bliss Horizon Limited, which in turn is wholly-owned by Mr. Li) entered into an arrangement with Falcon 2019 Co-Invest GP relating to the exercise of rights relating to the approximately 94% economic interest in the Falcon 2019 Co-Invest A, L.P. held by Spring Achiever Limited. Following the Fornax CPS Transfer, such economic interest has been reduced to approximately 92.6%. Please see the section headed "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments*" for further details in relation to the Fornax CPS Transfer.

(3) Swiss Re PICA is directly wholly-owned by Swiss Re Asia Holding Pte. Ltd., which is directly wholly-owned by Swiss Re Reinsurance Holding Company Ltd, which in turn is directly wholly-owned by Swiss Re. Swiss Re is directly wholly-owned by Swiss Re Ltd.

(4) Trustee appointed by our Company in relation to the administration of the Equity Incentive Plans and to hold the pool of Shares that are allotted and issued to the trustee pursuant to the [**REDACTED**] for the purpose of the satisfaction of the [**REDACTED**] Awards and/or awards to be granted under the Equity Incentive Plans.

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders (for the purposes of, and as defined under, the Listing Rules) comprise Mr. Li, his directly and indirectly wholly-owned entities (being PCGI Holdings, Bliss Horizon Limited, Creative Knight Limited, Creative Mind Limited and Spring Achiever Limited) (together, "**Mr. Li's Entities**"), and other persons who, together with Mr. Li, are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company (being Fornax, Fornax Holding Company Limited, Falcon 2019 Co-Invest A, L.P. and Falcon 2019 Co-Invest GP, the general partner of Falcon 2019 Co-Invest A, L.P.) (together, the "**Fornax Entities**").

As of the Latest Practicable Date (which is prior to completion of the Reorganisation), Mr. Li, through his directly wholly-owned entity, PCGI Holdings, controlled an aggregate of approximately 76.90% of the voting power at general meetings of our Company.

Immediately following the completion of the [**REDACTED**], Mr. Li will be deemed to control approximately [**REDACTED**]% of our enlarged total issued share capital as (i) Mr. Li's Entities will be deemed to control approximately [**REDACTED**]% of our enlarged total issued share capital and (ii) Falcon 2019 Co-Invest GP, the general partner of Falcon 2019 Co-Invest A, L.P., will be deemed to control approximately [**REDACTED**]% of our enlarged total issued share capital. Mr. Li, Mr. Li's Entities and the Fornax Entities together are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company and, accordingly, Mr. Li (together with Mr. Li's Entities) and the Fornax Entities will be considered as the Controlling Shareholders of our Company for the purposes of, and as defined under, the Listing Rules immediately following the completion of the [**REDACTED**].

ABOUT THE CONTROLLING SHAREHOLDERS

Mr. Li is the founder and an Executive Director of our Company.

PCGI Holdings is an investment holding company incorporated in the Cayman Islands. PCGI Holdings is wholly-owned by Mr. Li, who is also the founder, chairman and chief executive of PCG. For further details of Mr. Li, PCGI Holdings and the relationship between Mr. Li, our Company and our directors and senior management, please refer to the sections headed "*History, Reorganisation and Corporate Structure*", "*Relationship with the Controlling Shareholders*", "*Connected Transactions*", "*Directors and Senior Management*" and "*Substantial Shareholders*".

For further details of other Mr. Li's Entities, please refer to the section headed "*Substantial Shareholders*".

Fornax is wholly-owned by Fornax Holding Company Limited, which in turn is wholly-owned by the Falcon 2019 Co-Invest A, L.P., a Cayman Islands limited partnership in which Falcon 2019 Co-Invest GP acts as the general partner, and Spring Achiever Limited and Fornax Management Holding Company Limited act as the limited partners. Spring Achiever Limited is wholly-owned by Creative Knight Limited which in turn is wholly-owned by Mr. Li. Creative Mind Limited (which is wholly-owned by Bliss Horizon Limited, which in turn is wholly-owned by Mr. Li) entered into an arrangement with Falcon 2019 Co-Invest GP relating to the exercise of rights relating to the approximately 94% economic interest in the Falcon 2019 Co-Invest A, L.P. held by Spring Achiever Limited. Following the Fornax CPS Transfer, such economic interest has been reduced to approximately 92.6%. For further details of Fornax, please refer to the sections headed "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company –* [**REDACTED**] *Investments*" and "*Substantial Shareholders*".

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

The Directors are of the view that the Group is capable of carrying on its business independently from its Controlling Shareholders following the completion of the [**REDACTED**] for the following reasons.

Clear Delineation of Business

As of the Latest Practicable Date, none of the Controlling Shareholders is interested in any business, other than the Group, which, competes or is likely to compete, either directly or indirectly, with the Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

To streamline its business, the Group divested its interests in the general insurance business (other than in Singapore) by spinning off the entire equity interest in FWD General Insurance, iFWD TW and Bolttech Digital Solutions to bolttech Holdings, which is indirectly majority owned and controlled by Mr. Li (the "**bolttech Spin-off**"). For details, please refer to "*History, Reorganisation and Corporate Structure – Major Acquisitions and Disposals.*" The Group primarily focuses on the provision of life insurance services within Asia Pacific, whereas the bolttech Group is an insurance technology company primarily focusing on technology services enabling business partners to provide general insurance products, including device protection (e.g., mobile phone insurance). None of the Controlling Shareholders carries on any life insurance business apart from its interests in the Group upon [**REDACTED**].

Life insurance policies provide long-term coverages to a person, or a group of individuals under a Group scheme, and protect against mortality and morbidity events and/or to provide a basis to accumulate savings/investments. On a policy level, profitability is viewed over the entire term of that policy and on a cash flow basis, it is not uncommon for accounting profits to emerge only in later years during the policy tenure. General insurance protects against other risks, and typically includes short-term contracts which cover all other non-life items such as home, motor vehicles, fire and travel. Pensions have similar characteristics to savings/investment-focused life insurance policies, with the main differences including the inability to fund acquisition costs through the balance sheet, significantly less flexibility on account of regulation, and generally less stringent regulatory capital requirements. Similar to general insurance, profits and profit patterns of a pensions business are viewed on an annual basis. The Group does not write any pension business, nor does any member of the PCG Group.

Our key strategic focus is to address the long-term protection and savings needs of our customers, and hence the Group is principally engaged in life insurance as its core business, while the offering of general insurance products and pension businesses are deemed non-core businesses (given these are generally treated as different businesses across areas such as strategy, product development, distribution channels). While the Group operates a general insurance business in Singapore under a composite insurance licence granted by the MAS, this contributes to only 0.22%, 0.13%, 0.11% and 0.10% of the Group's total revenue for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively. We are of the view that the general insurance business in Singapore is immaterial to the Group's financial condition and results of operations. The decision to focus on life insurance is similarly common amongst other peer insurers, notably AIA and Manulife, which also choose to strategically focus their business and operations on life insurance only.

The fundamental difference between life insurance products and general insurance products is also reflected in the fact that insurance regulators generally require different licences to be obtained in order to underwrite life insurance products or general insurance products. For example, in Hong Kong, an authorised insurer wishing to write life insurance must be authorised to underwrite "long-term business" whereas an authorised insurer wishing to write general insurance must be authorised to underwrite "general business". Different minimum capital requirements also apply to insurers who are authorised to write "long-term business" versus "general business".

The Group operates a general insurance business in Singapore, however, the bolttech Group is only a registered insurance broker in Singapore and is not licensed to carry on any insurance business in Singapore as a licensed or authorised insurer, reinsurer or foreign insurer. Hence, the Directors do not consider that there are any overlapping customers, products or market between the Group and the bolttech Group in Singapore. In addition, the general insurance business of the Group in Singapore contributes only to 0.22%, 0.13%, 0.11% and 0.10% of the Group's total revenue for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022. The Directors are of the view that the general insurance business in Singapore is immaterial to the Group's financial condition and results of operations.

There is therefore a clear and distinct delineation of the business of the Group and the businesses of the Controlling Shareholders.

In order to avoid any potential overlap of businesses between the Group and the bolttech Group after the [**REDACTED**], the Group and the bolttech Group entered into a Business Collaboration Agreement on 8 December 2020 (the "**bolttech Business Collaboration Agreement**"), in which:

(a) the bolttech Group undertakes that, among others, it will not, without the prior written consent of the Group, carry on or directly hold any ownership interests in an entity which primary or core business is to carry on, the business of manufacturing or underwriting life insurance products in jurisdictions in which the Group has operations from time to time;

(b) each of FL and FGL undertakes that, among others, it will not, without the prior written consent of the bolttech Group, carry on or directly hold any ownership interests in any entity which primary or core business is to carry on, the business of:

  (i) manufacturing or underwriting of general insurance products;

  (ii) the provision of device protection products; and/or

  (iii) the provision of digital brokerage services for general insurance products in jurisdictions in which the bolttech Group has operations from time to time,

during the period from the completion of the bolttech Spin-off until (a) in respect of the bolttech Group (i) upon a change of control of bolttech Holdings or FL and FGL, or (ii) when the bolttech Group ceases to use any of the Group's trademarks, trade names and logos, whichever is later; (b) in respect of the Group, upon a change of control of bolttech Holdings or FL and FGL, in each case provided that the restriction period will be for a period of not less than five years from the completion of the bolttech Spin-off.

Please see the section headed "*Connected Transactions*" in respect of continuing connected transactions pursuant to the bolttech Business Collaboration Agreement and other continuing connected transactions between the Group and the bolttech Group after the [**REDACTED**].

In respect of the insurance agency and distribution services carried on by the Group and the businesses of the Controlling Shareholders,

(a) The Group

The Group only distributes its own life insurance products and does not provide any insurance agency and distribution services in respect of third party life insurance products.

Pursuant to the bolttech Business Collaboration Agreement, the Group provides agency and distribution services to the bolttech Group in respect of general insurance products manufactured or underwritten by a member of the bolttech Group.

In addition, the Group distributes general insurance products manufactured or underwritten by third party insurers through its brokerage entity, FWD Financial Planning.

(b) The bolttech Group

The bolttech Group sells and distributes insurance products manufactured or underwritten by the bolttech Group, as well as those manufactured or underwritten by other insurers.

As far as the Directors are aware, the bolttech Group currently only distributes life insurance products which are manufactured or underwritten by the Group, through which the bolttech Group will receive commissions, and the Group will enjoy the insurance underwriting risk and reward from manufacturing or underwriting such products.

In addition, pursuant to the bolttech Business Collaboration Agreement, prior to distributing any new life insurance product of another insurer, the bolttech Group is required to provide the Group an opportunity to provide an equivalent life insurance product. Only if the Group is unable to provide an equivalent life insurance product would the bolttech Group be entitled to distribute the life insurance product of another insurer.

(c) The HKT Group

The HKT Group currently distributes life insurance products which are manufactured or underwritten by the Group to HKT Group's customers, through which the HKT Group will receive commissions and the Group will take on the insurance underwriting risk and reward from manufacturing or underwriting such products.

The insurance agency and distribution services provided by the Group contributed to 0.003%, 0.003%, 0.003% and 0.003%, respectively, of the Group's total revenue for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022. The Directors are of the view that the insurance agency and distribution services provided by the Group are immaterial to the Group's financial condition and results of operations. As at the date of this document, the Group has no intention to materially expand its insurance agency and distribution business relative to the overall business of the Group.

Management Independence

The Board comprises two executive Directors, three non-executive Directors and six independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served the Group for a long time and/or have substantial experience in the industry in which we are engaged.

None of our senior management responsible for our daily operations will have any other roles within PCG upon the [**REDACTED**].

Furthermore, the Directors consider that the Board and senior management will function independently of the Controlling Shareholders for the following reasons:

(a) each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) we believe the independent non-executive Directors bring independent judgment to the decision-making process of the Board;

(c) the Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, and shall not be counted in the quorum present at the particular Board meeting;

(d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and the Controlling Shareholders which would support the independent management (as outlined below); and

(e) we expect to review our corporate governance practices from time to time and adopt additional corporate governance initiatives with a view to implementing guidance provided by our regulators and best practices as they evolve.

Each Director of the Board possesses relevant management or industry-related experience to act as a Director of our Company. Details of the experience of each Director are set out in "*Directors and Senior Management.*"

Independence of Operations and Administrative Capability

Although the Controlling Shareholders will retain a controlling interest in our Company after [**REDACTED**], we have full rights to make all decisions regarding, and to carry out, our own business operations independently.

Our Company (through its subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out its business in all material respects.

In addition, our organisational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Certain telecommunications and related services are provided by the HKT Group, and certain asset management services are provided by the PineBridge Group, each as described in the section "*Connected Transactions*". However, all essential administrative functions are carried out by the Group without requiring the support of the HKT Group or the PineBridge Group. In particular, the Group has its own business units and responsible employees for performing all essential administrative functions such as finance and accounting, internal control and administration and operations.

Based on the above, the Directors are satisfied that we have been operating independently from the Controlling Shareholders and their respective associates during the Track Record Period and will continue to operate independently of the business of the Controlling Shareholders upon [**REDACTED**].

Financial Independence

The Group has its own internal control, accounting, funding, reporting and financial management system as well as accounting and finance department. Our insurance operations are sufficiently capitalised to satisfy our regulatory solvency and capital adequacy requirements and operational needs.

Combining the [**REDACTED**] from the [**REDACTED**] with our Company's own funds, the Group will further strengthen its capital position to support the growth of our operations and businesses in the near-to-mid-term independently from the Controlling Shareholders.

In addition, the Group does not rely on the Controlling Shareholders and/or their respective close associates for any provision of financial assistance. The Directors confirm that, as at the Latest Practicable Date, on the one hand, none of the Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to the Group and, on the other hand, the Group did not provide any loans, guarantees or pledges to the Controlling Shareholders or their respective close associates.

Further, the Group has obtained bank loans and issued notes and perpetual securities without guarantees being given by the Controlling Shareholders and/or their respective close associates. Please refer to the section "*Financial Information – Indebtedness*". On the basis of the above, the Directors believe that following the [**REDACTED**], the Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders including in view of the Group's strong financial position, steady future cash flow generation and level of liquid assets following the [**REDACTED**] as well as its ability to raise funds on a standalone basis.

Based on the above, the Directors are of the view that we are able to maintain financial independence from the Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

The Directors recognise the importance of sound corporate governance in protection of the Shareholders' interests. Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

In order to further avoid potential conflicts of interest, we have implemented the following measures to strengthen the protection of the Shareholders' interests:

(a) as part of our preparation for the [**REDACTED**], we have amended the Memorandum and Articles of Association to comply with the Listing Rules. In particular, our Memorandum and Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) where a Shareholders' meeting is to be held for considering proposed transactions in which a Controlling Shareholder or any of his/its close associates has a material interest, such Controlling Shareholder will abstain from voting on the relevant resolutions;

(c) we have established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if we enter into connected transactions with any Controlling Shareholder or any of his/its associates, we will comply with the applicable requirements under the Listing Rules;

(d) we are committed that the Board shall include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed six independent non-executive Directors, and we believe the independent non-executive Directors: (i) possess sufficient experience; (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment; and (iii) will be able to provide an impartial and external opinion to protect the interests of the Shareholders as a whole;

(e) in the event that the independent non-executive Directors are requested to review any conflict of interests circumstances between the Group on one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information for consideration and the independent non-executive Directors can seek advice from independent advisers at our cost where necessary;

(f) our independent non-executive Directors will review and consider the delineation of business and independent operations between the Group and the Controlling Shareholders, including considering the nature of the businesses and reviewing, on at least an annual basis, compliance with the non-compete undertaking in the bolttech Business Collaboration Agreement;

(g) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(h) we have established our audit committee, compensation committee, nomination and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules; and

(i) we have appointed CMB International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance, upon [**REDACTED**].

Based on the above, the Directors are satisfied that the Group has sufficient corporate governance measures in place to manage any competition or conflicts of interest that may arise between the Group, the Directors and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

COMPLIANCE WITH RULE 8.10 OF THE LISTING RULES

Save as disclosed in this document, none of the Directors and our Controlling Shareholders is interested in any businesses apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

OVERVIEW

Prior to the [**REDACTED**], the Group entered into certain transactions with the PCCW Group, the HKT Group, the bolttech Group, the PineBridge Group, the CK Assets Group and RK Consulting. As described in the section headed "*Relationship with the Controlling Shareholders*", Mr. Li is a Controlling Shareholder of our Company.

OUR CONNECTED PERSONS

Upon the [**REDACTED**], the PCCW Group, the HKT Group, the bolttech Group, the PineBridge Group, the CK Assets Group and RK Consulting will become our connected person for the reasons set out in the table below:

Connected Person	Reason
PCCW Group and HKT Group	Mr. Li is the chairman and an executive director of PCCW, as at the Latest Practicable Date, and is deemed to be interested (for the purposes of the SFO) in approximately 30.93% of the equity interest in PCCW (HKEX: 0008). PCCW is the parent of the HKT Group. Mr. Li is the chairman and an executive director of HKT and HKT Management Limited (the trustee-manager of the HKT Trust) (the "**Trustee-Manager**"), and, as at the Latest Practicable Date, is deemed to be interested (as such term is defined under the SFO) in approximately 2.97% of the total number of share stapled units in issue of HKT Trust and HKT (HKEX: 6823).
bolttech Group	The bolttech Group is indirectly majority owned and controlled by Mr. Li.
PineBridge Group	The PineBridge Group is indirectly majority owned and controlled by Mr. Li.

Connected Person	Reason
CK Assets Group	Mr. Li has a personal interest in 75,240 shares in CK Assets, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts (the "**Family Trusts**"). The Family Trusts are interested in approximately 34.738% of the issued shares of CK Assets, as of the Latest Practicable Date. Mr. Li's brother, Mr. Li Tzar Kuoi, Victor is the chairman and managing director of CK Assets, and holds (through being a beneficial owner, interests of child or spouse, interest in controlled corporations and as a discretionary beneficiary of the Family Trusts) an interest of 46.34% in the shares of CK Assets, as of the Latest Practicable Date.
RK Consulting	RK Consulting is indirectly owned and controlled by Mr. Li as to 30% interests or more.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

The following is a summary of the continuing connected transactions involving the Group that will continue after the [**REDACTED**]:

No.	Nature of Transactions	Relevant Listing Rules	Waiver sought
	Partially exempt continuing connected transactions *Exempt from the circular and independent shareholders' approval requirements but subject to the announcement, reporting and annual review requirements*		
1.	Telecommunications and related services provided by the HKT Group to the Group	14A.35, 14A.76(2)	Waiver from strict compliance with announcement requirement
2.	Insurance agency and distribution, reinsurance, and other insurance and related services provided by the HKT Group to the Group	14A.35, 14A.76(2)	Waiver from strict compliance with announcement requirement
3.	Insurance and related services and products provided by the Group to the PCCW Group (excluding the HKT Group) and the HKT Group	14A.35, 14A.76(2)	Waiver from strict compliance with announcement requirement

No.	Nature of Transactions	Relevant Listing Rules	Waiver sought
4.	Asset management and investment services provided by the PineBridge Group to the Group	14A.35, 14A.76(2)	Waiver from strict compliance with announcement requirement
5.	Reinsurance services, employees' benefits insurance, other insurance and related services provided by the Group to the bolttech Group	14A.35, 14A.76(2)	Waiver from strict compliance with announcement requirement

Fully exempt continuing connected transactions

Exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements

No.	Nature of Transactions	Relevant Listing Rules	Waiver sought
1.	Marketing and advertising services received by the Group from the PCCW Group and the HKT Group	14A.76(1)	Fully exempt *de minimis* transactions
2.	Insurance agency and distribution services provided by the PCCW Group (excluding the HKT Group) to the Group	14A.76(1)	Fully exempt *de minimis* transactions
3.	Celebrity sponsorship and marketing arrangements between the Group and the PCCW Group	14A.76(1)	Fully exempt *de minimis* transactions
4.	Purchase of insurance by the PineBridge Group from the Group	14A.76(1)	Fully exempt *de minimis* transactions
5.	Transactions between the Group and the bolttech Group pursuant to the bolttech Business Collaboration Agreement	14A.76(1)	Fully exempt *de minimis* transactions
6.	Insurance products, administrative and other related services provided by the bolttech Group to the Group	14A.76(1)	Fully exempt *de minimis* transactions
7.	Intercompany services provided by the Group to the bolttech Group	14A.76(1)	Fully exempt *de minimis* transactions
8.	Rental and management service received by the Group from the CK Assets Group	14A.76(1)	Fully exempt *de minimis* transactions
9.	Insurance agency services received by the Group from RK Consulting	14A.76(1)	Fully exempt *de minimis* transactions
10.	Purchase of insurance by directors of the Group and their associates from the Group	14A.76(1)	Fully exempt *de minimis* transactions
		14A.97	Selling of consumer goods or services

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Telecommunications and related services provided by the HKT Group to the Group ("HKT Telecommunications Services")

FWD Group Management and HK Telecom will enter into an amended and restated framework agreement (the "**Telecommunications and Related Services Agreement**"), pursuant to which HK Telecom will provide, or procure other members of the HKT Group to provide, telecommunications and related services to the Group and in respect of other existing and future agreements for these services.

Such services include, without limitation, the following:

(a) telecommunications services such as telephone services (fixed-line, unified communications and mobile services) and devices; connectivity services including local data, broadband, wifi, Datapak, private network connectivity, SkyExchange, cloud connectivity, facilities managed network services, Internet access, international telecommunications, international private leased circuit and other network services; cloud computing services; Internet of Things (IoT) products and services; and other telecommunications services as agreed to be provided by members of the HKT Group to the Group; and

(b) other support services, such as computer and customer-premises equipment (CPE) rental services; teleservices; network, operational and maintenance and support services; equipment and facilities leasing services; and other support services as agreed to be provided by members of the HKT Group to the Group.

Principal terms relating to the Telecommunications and Related Services Agreement

Term and Termination

The Telecommunications and Related Services Agreement has a term of three years commencing from the [**REDACTED**] and ending on 31 December 2024, and it may be terminated by either party with 6 months' written notice.

Pricing Policy

The HKT Telecommunications Services are charged at prevailing market rates for services of similar scope, scale, quality, reliability and services level that would be charged for independent third-party customers, as agreed by the relevant members of the HKT Group and the Group from time to time, and the other support services are charged on a cost-plus basis as agreed by the relevant members of the HKT Group and the Group from time to time.

Historical Transaction Amounts and Annual Caps

The historical transaction amounts of the HKT Telecommunications Services provided to the Group were US$4.3 million, US$4.9 million, US$4.5 million and US$1.1 million for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively.

The annual caps applicable to the Telecommunications and Related Services Agreement for the three years ending 31 December 2022, 2023 and 2024 are US$12.8 million, US$16.0 million and US$19.3 million, respectively.

These annual caps had been determined by the parties at arm's length negotiations based on (i) the historical transaction amounts; (ii) anticipated expansion of the Group's business in the region and the estimated level of services required having considered the year-over-year growth; (iii) the full year effect of such expansion for 2022, 2023 and 2024; and (iv) the expected increase in the service fees to be paid by us considering the expected inflation.

Implications under the Listing Rules for the HKT Telecommunications Services

As the highest applicable percentage ratio in respect of each of the annual caps in relation to the HKT Telecommunications Services is expected to be, on an annual basis, more than 0.1% but less than 5%, such transactions are considered to be partially exempt continuing connected transactions subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Insurance agency and distribution, reinsurance, and other insurance and related services provided by the HKT Group to the Group ("HKT Insurance Services")

FWD Life (Bermuda) and HKTIA will enter into an amended and restated framework agreement (the "**HKT Insurance and Related Services Agreement**"), pursuant to which HKTIA will provide, or procure other members of the HKT Group to provide, insurance agency and distribution, reinsurance, and other insurance and related services to the Group.

Such services include, without limitation, the following:

(a) insurance agency and distribution services in Hong Kong to be provided by members of the HKT Group as insurance agent in Hong Kong for selling certain insurance products of members of the Group;

(b) reinsurance services to be provided by the HKT Group to the Group under which relevant members of the HKT Group, such as PCCW Risk Finance Limited, being a registered insurer in Bermuda, may reinsure some of the Group's underwriting liabilities arising from insurance policies issued in Hong Kong to members of the HKT Group; and

(c) other insurance and related services as may be agreed to be provided by members of the HKT Group and the Group from time to time.

Principal terms relating to the HKT Insurance and Related Services Agreement

Term and Termination

The HKT Insurance and Related Services Agreement has a term of three years commencing from the [**REDACTED**] and ending on 31 December 2024, and it may be terminated by either party with 6 months' written notice.

Pricing Policy

Commission for such insurance agency and distribution services is charged at such rate determined with reference to market rates charged by third party insurance agents for similar insurance agency or distribution service as agreed by the relevant members of the HKT Group and the Group, while premium to be received by the HKT Group from the Group for the reinsurance services is determined based on prevailing market rates and actuarial review of the relevant members of the HKT Group and the Group.

Historical Transaction Amounts and Annual Caps

The historical transaction amounts of the HKT Insurance Services provided to the Group were US$1.2 million, US$1.0 million, US$1.2 million and US$0.3 million for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively.

The annual caps applicable to the HKT Insurance and Related Services Agreement for the three years ending 31 December 2022, 2023 and 2024 are US$8.9 million, US$12.8 million and US$25.6 million, respectively.

These annual caps had been determined by the parties at arm's length negotiations based on (i) the historical transaction amounts; (ii) anticipated expansion of the Group's business in the region and the estimated level of services required having considered the year-over-year growth; (iii) the full year effect of such expansion for 2022, 2023 and 2024; and (iv) the expected increase in the service fees to be paid by us considering the expected inflation.

Implications under the Listing Rules for the HKT Insurance Services

As the highest applicable percentage ratio in respect of each of the annual caps in relation to the HKT Insurance Services is expected to be, on an annual basis, more than 0.1% but less than 5%, such transactions are considered to be partially exempt continuing connected transactions subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Insurance and related services and products provided by the Group to the PCCW Group (excluding the HKT Group) and the HKT Group

FWD/PCCW and HKT Insurance Services and Products

Each of PCCW Services and HKT Services will enter into an amended and restated framework agreement (the "**FWD/PCCW and HKT Insurance Services and Products Agreement**") with FWD Life (Bermuda) on the same terms, pursuant to which FWD Life (Bermuda) will provide, or procure other members of the Group to provide, insurance and related services and products to the PCCW Group (excluding the HKT Group) and the HKT Group, respectively (the "**FWD/PCCW and HKT Insurance Services and Products**").

Such services and products include, without limitation, the following:

(a) insurance services and products of the Group; and

(b) other insurance and related services and products as may be agreed to be provided by other members of the respective groups from time to time.

Principal terms relating to the FWD/PCCW and HKT Insurance Services and Products

Term and Termination

Each of the FWD/PCCW and HKT Insurance Services and Products Agreements has a term of three years commencing from the [**REDACTED**] and ending on 31 December 2024, and they may each be terminated by either party with 6 months' written notice.

Pricing Policy

The insurance services and products are charged at such rate determined with reference to market rates for similar insurance service or product as agreed by members of the respective groups that would be charged for independent third-party customers, and based on factors such as past claims history, expected future medical cost inflation, underwriting judgement and actuarial assumptions.

Historical Transaction Amounts and Annual Caps

The historical transaction amounts in relation to the FWD/PCCW and HKT Insurance Services and Products provided by the Group to the PCCW Group were US$1.3 million, US$40.0 million, US$1.4 million and US$5.7 million for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively.

The annual caps applicable to the FWD/PCCW and HKT Insurance Services and Products Agreements on an aggregated basis for the three years ending 31 December 2022, 2023 and 2024 are US$51.3 million, US$51.3 million and US$51.3 million, respectively.

These annual caps had been determined by the parties at arm's length negotiations based on (i) the historical transaction amounts; (ii) anticipated expansion of the Group's business in the region and the estimated level of services required having considered the year-over-year growth; and (iii) anticipated growth of the business relationship between the PCCW Group and the Group in future and the full year effect of such growth in 2022, 2023 and 2024.

Implications under the Listing Rules for the FWD/PCCW and HKT Insurance Services and Products

As the highest applicable percentage ratio in respect of each of the annual caps in relation to the FWD/PCCW and HKT Insurance Services and Products is expected to be, on an annual basis, more than 0.1% but less than 5%, such transactions are considered to be partially exempt continuing connected transactions subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Asset management and investment services provided by the PineBridge Group to the Group

A member of the PineBridge Group will enter into a framework agreement (the "**PineBridge Asset Management and Investment Services Agreement**") with a member of the Group, pursuant to which the member of the PineBridge Group will provide or grant, or procure other members of the PineBridge Group to provide or grant, asset management and investment services to the Group.

The services include, without limitation, the following:

(a) investment management services; and

(b) investment advisory services,

(collectively, the "**PineBridge Asset Management and Investment Services**").

Principal terms relating to the PineBridge Asset Management and Investment Services

Term and Termination

The PineBridge Asset Management and Investment Services Agreement has a term of three years commencing from the [**REDACTED**] and ending on 31 December 2024, and it may be terminated by either party with 6 months' written notice.

Pricing Policy

The management fees payable by the Group for the investment management services are generally determined based on an (i) an agreed fee rate calculated in relation to the net asset value and/or performance of, and/or capital committed to, the relevant investment portfolio; (ii) a banded sliding scale of fee rates based on the net asset value of the portfolio; or (iii) a fixed sum. The fees had been determined by reference to prevailing/market rates, and are no less favourable to the Group than those offered by independent third parties/based on similar contracts with similar third parties. In relation to the investment management services provided to FWD Life Japan, the management fees were also determined after an arm's length rule assessment.

The management fees payable by the Group for the investment advisory services shall be agreed by the relevant Group entity and the relevant PineBridge entity.

Historical Transaction Amounts and Annual Caps

The historical transaction amounts of the PineBridge Asset Management and Investment Services provided to the Group were US$17.5 million, US$20.0 million, US$24.7 million and US$5.9 million for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively.

The annual caps applicable to the PineBridge Asset Management and Investment Services Agreement for the three years ending 31 December 2022, 2023 and 2024 are US$27.0 million, US$30.0 million and US$33.0 million, respectively.

These annual caps have been determined by the parties at arm's length negotiations based on (i) the historical transaction amounts; (ii) anticipated expansion of the Group's business in the region and the estimated level of services required having considered the year-over-year growth; and (iii) anticipated expansion of the investment portfolios and the value of such portfolios.

Implications under the Listing Rules for the PineBridge Asset Management and Investment Services

As the highest applicable percentage ratio in respect of each of the annual caps in relation to the PineBridge Asset Management and Investment Services and Products is expected to be, on an annual basis, more than 0.1% but less than 5%, such transactions are considered to be partially exempt continuing connected transactions subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Reinsurance services, employees' benefits insurance, other insurance and related services provided by the Group to the bolttech Group ("FWD/bolttech Insurance Services and Products")

A member of the Group will enter into a framework agreement (the "**FWD/bolttech Insurance Services and Products Agreement**") with a member of the bolttech Group, pursuant to which such member of the Group will provide, or procure other members of the Group to provide, certain insurance services and related services to the bolttech Group.

Such services include, without limitation, the following:

(a) reinsurance services to be provided by the Group to the bolttech Group, under which relevant members of the Group may reinsure some of the bolttech Group's underwriting liabilities arising from insurance policies underwritten by the bolttech Group;

(b) employees' benefits insurance, such as group life, group critical illness and group medical insurance; and

(c) other insurance and related services as may be agreed to be provided by the Group from time to time.

Please refer to the sections headed "*Relationship with the Controlling Shareholders*" and "*Connected Transactions – Fully Exempt Continuing Connected Transactions*" in respect of the bolttech Business Collaboration Agreement and the continuing connected transactions entered pursuant to it between the Group and the bolttech Group.

Principal terms relating to the FWD/bolttech Insurance Services and Products Agreement

Term and Termination

The FWD/bolttech Insurance Services and Products Agreement has a term of three years commencing from the [**REDACTED**] and ending on 31 December 2024, and it may be terminated by either party with 6 months' written notice.

Pricing Policy

Premium to be received by the Group from the bolttech Group for the reinsurance services and the employees' benefits insurance is determined based on prevailing market rates and actuarial review of the relevant members of the Group and the bolttech Group. Other insurance and related services are charged at such rate determined with reference to market rates for similar services as agreed by the parties that would be charged by the Group for independent third-party customers.

Historical Transaction Amounts and Annual Caps

The historical transaction amounts of the FWD/bolttech Insurance Services and Products provided to the bolttech Group were nil for the years ended 31 December 2019 and 2020, US$23.9 million and US$8.1 million for the years ended 31 December 2021 and the three months ended 31 March 2022, respectively.

The annual caps applicable to the FWD/bolttech Insurance Services and Products Agreement for the three years ending 31 December 2022, 2023 and 2024 are US$28.5 million, US$33.9 million and US$40.4 million, respectively.

These annual caps had been determined by the parties at arm's length negotiations based on (i) the historical transaction amounts; (ii) current group policies provided to the bolttech Group in Hong Kong, Thailand, Indonesia, Philippines and from 2022, Malaysia; (iii) the estimated level of services required by the bolttech Group having considered the year-over-year growth of the business; and (iv) the full year effect of such expansion for 2022, 2023 and 2024.

Implications under the Listing Rules for the FWD/bolttech Insurance Services and Products

As the highest applicable percentage ratio in respect of each of the annual caps in relation to the FWD/bolttech Insurance Services and Products is expected to be, on an annual basis, more than 0.1% but less than 5%, such transactions are considered to be partially exempt continuing connected transactions subject to reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH ANNOUNCEMENT REQUIREMENT FOR THE PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the partially exempt continuing connected transactions described in this section are expected to continue on a recurring and continuing basis and has been fully disclosed in the document and will be disclosed in the annual reports of our Company on an on-going basis, our Company considers that strict compliance with the announcement would be impractical, unduly burdensome and would impose unnecessary administrative cost upon our Company. As such, our Company has applied to the Stock Exchange for[, and the Stock Exchange has granted,] our Company a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the partially exempt continuing connected transactions described in this section.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Marketing and advertising services received by the Group from the PCCW Group and the HKT Group

The Group may receive marketing and advertising services from the PCCW Group and the HKT Group, based on prevailing or comparable market rates and prices.

2. Insurance agency and distribution services provided by the PCCW Group (excluding the HKT Group) to the Group

The Group may receive insurance agency and distribution services from, and pay commission to, the PCCW Group (excluding the HKT Group), at prevailing or comparable market rates based on similar contracts with similar third parties.

3. Celebrity sponsorship and marketing arrangements between the Group and the PCCW Group

The Group may enter into celebrity sponsorship and marketing arrangements with the PCCW Group from time to time. These may include the Group acting as sponsor to events held by artists managed by the PCCW Group, purchase of related event tickets or merchandise, spokesperson opportunities, and related sponsorship or advertising. The pricing of such arrangements is determined on a case by case basis at prevailing market rates or comparable rates based on similar arrangements with similar third parties.

4. Purchase of insurance by the PineBridge Group from the Group

The Group may sell insurance products to the PineBridge Group, based on similar pricing as other third parties.

5. Transactions between the Group and the bolttech Group pursuant to the bolttech Business Collaboration Agreement

The bolttech Business Collaboration Agreement provides for (a) insurance agency services by the Group for selling certain insurance products of the bolttech Group; and (b) distribution and brokerage services by the Group (or the bolttech Group) of the bolttech Group's (or the Group's) certain insurance products through its distribution channels, respectively, based on prevailing or comparable market rates and prices.

The bolttech Business Collaboration Agreement was entered into by the Group and the bolttech Group on 8 December 2020. It has a term of 15 years, terminating on 7 December 2035. Such term is consistent with normal business practice for agreements of this type.

6. Insurance products, administrative and other related services provided by the bolttech Group to the Group

The Group may purchase general insurance policies from the bolttech Group at prevailing or comparable market rates based on similar contracts with similar third parties. Further, the Group may receive administrative and other related services from the bolttech Group, including the provision and management of a customer contact centre for enquiries services on matters pertaining to claims service and support for any of the insurance products of the Group, day-to-day administration and management of the claims and customer referral services.

7. Intercompany services provided by the Group to the bolttech Group

The Group may provide intercompany services or grant intellectual property licenses to the bolttech Group, based on prevailing or comparable market rates and prices.

8. Rental and management service received by the Group from the CK Assets Group

The Group has agreed with the CK Assets Group to (i) take a lease of the entire Main Building and Stable Block of the 1881 Heritage development; and (ii) engage an operator to operate and manage the hotel at 1881 Heritage, with pricing based on similar contracts with similar third parties.

9. Insurance agency services received by the Group from RK Consulting

The Group may receive insurance agency and related services from RK Consulting, based on prevailing or comparable market rates and prices.

10. Purchase of insurance by directors of the Group and their associates from the Group

The Group may sell insurance products to directors of Group companies and their associates. The sale of these insurance products by us to such directors and associates is on normal commercial terms in our ordinary and usual course of business and such sale constitutes an acquisition by each such individual connected person as consumer goods or services for their own private use.

IMPLICATIONS UNDER THE LISTING RULES FOR THE FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the services provided and received by the Group described above will be conducted in the ordinary and usual course of business and on normal commercial terms or better, and the highest applicable percentage ratio in respect of each such transaction is expected to be, on an annual basis, less than 0.1%, such transactions fall within the *de minimis* threshold as stipulated under Rule 14A.76(1) of the Listing Rules and are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements. In addition, the purchase of insurance by directors of the Group and their associates from the Group also falls within the exemption as stipulated under Rule 14A.97 of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the partially exempt continuing connected transactions described above have been and will continue to be carried out in the ordinary and usual course of business of the Group, on normal commercial terms or better, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for these transactions referred to in "*– Partially Exempt Continuing Connected Transactions*" in this section are fair and reasonable and in the interests of the Group and the Shareholders as a whole. In addition, they are of the view that it is normal business practice for the term of the bolttech Business Collaboration Agreement to be longer than three years.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the partially exempt continuing connected transactions described above have been and will continue to be carried out in the ordinary and usual course of business of the Group, on normal commercial terms or better, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for these transactions referred to in "*– Partially Exempt Continuing Connected Transactions*" in this section are fair and reasonable and in the interests of the Group and the Shareholders as a whole. In addition, they are of the view that it is normal business practice for the term of the bolttech Business Collaboration Agreement to be longer than three years.

BOARD OF DIRECTORS

The Board of Directors consists of eleven Directors, comprising two Executive Directors, three Non-executive Directors and six Independent Non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
HUYNH Thanh Phong (alias 黃清風)	56	Group Chief Executive Officer and Executive Director	May 2021	December 2013	Overall strategic planning and business direction
LI Tzar Kai, Richard (李澤楷)	55	Executive Director	November 2020	November 2020	Overall strategic planning and business direction
Ronald Joseph ARCULLI (夏佳理)	83	Non-Executive Director	May 2021	October 2013	Provide strategic advice to the Board
Guido FÜRER	59	Non-Executive Director	September 2021	December 2018	Provide strategic advice to the Board
Walter KIELHOLZ	71	Non-Executive Director	September 2021	September 2021	Provide strategic advice to the Board
MA Si-Hang, Frederick (馬時亨)	70	Chairman and Independent Non-executive Director	September 2021	December 2013	Provide independent opinion and judgment to the Board
Yijia TIONG (張怡嘉)	38	Independent Non-executive Director	May 2021	May 2021	Provide independent opinion and judgment to the Board
CHUNG Kit Hung, Martina (鍾傑鴻)	63	Independent Non-executive Director	October 2020	February 2013	Provide independent opinion and judgment to the Board

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Dirk SLUIMERS	69	Independent Non-executive Director	May 2021	March 2016	Provide independent opinion and judgment to the Board
John BAIRD	53	Independent Non-executive Director	September 2021	April 2015	Provide independent opinion and judgment to the Board
Kyoko HATTORI	47	Independent Non-executive Director	September 2021	November 2017	Provide independent opinion and judgment to the Board

Executive Directors

HUYNH Thanh Phong (alias 黃清風) has served as an Executive Director since May 2021 and is our Group Chief Executive Officer, having served as Group Chief Executive Officer and Director of our subsidiaries, FGL and FL, since March 2014. He also holds various positions on the boards of certain other companies in our Group. Mr. Huynh leads our regional operations and strategic development and is an insurance professional with more than 30 years of experience in the insurance industry, covering North America, Asia and the Middle East.

Before joining our Group, he worked with Argyle Street Management, a Hong Kong-based investment fund, in an advisory role from 2013 to 2014. From 2010 to 2013, Mr. Huynh was Regional Chief Executive for the AIA Group ("**AIA**"), responsible for leading its business operations in Singapore, Indonesia, Malaysia, Vietnam, India, Thailand and Sri Lanka. From 2009 to 2010, he served as Executive Vice President for Insurance at Fullerton Financial Holdings, a wholly-owned subsidiary of Temasek Holdings, where he was responsible for building the insurance business in Indonesia, Malaysia, Vietnam, China, India, Pakistan and the Middle East. He also worked for 12 years at Prudential plc, where he held a number of senior level positions including the founding Chief Executive Officer of Prudential Vietnam and Managing Director for Prudential Corporation Asia, responsible for managing its operations in East Asia, Southeast Asia, and the Middle East. He started his career in Canada with Crown Life, and moved to Manulife Financial, where he was appointed as Manulife's Appointed Actuary for the Greater China Region in 1992.

Mr. Huynh is a qualified actuary and a fellow of the Society of Actuaries (USA). He was awarded the title of Officer of the Order of the British Empire by Queen Elizabeth II in June 2005 in recognition of his contribution in promoting UK financial services in Vietnam. Mr. Huynh graduated in June 1986 with a Bachelor of Science degree from the University of Alberta, Canada.

LI Tzar Kai, Richard (李澤楷) was appointed to our Board in November 2020 and serves as our Executive Director. Mr. Li has also served as a Director on the boards of our subsidiaries, FGL and FL, since November 2020.

Mr. Li is the founder and serves as the Chairman of PCG. Mr. Li founded PCG in 1993 to invest in the financial services, technology, media & telecommunications and property industries.

Presently, Mr. Li is the Executive Director and Chairman of HKEX listed PCCW, an information and communications technology company that PCG acquired in 1999. He is also the Executive Chairman and an Executive Director of HKEX listed HKT, a telecommunications company that PCCW acquired in 2000. He also serves as Chairman and Executive Director of Singapore Exchange listed Pacific Century Regional Developments Limited, as Executive Director of HKEX listed Pacific Century Premium Developments Limited and as Chairman of bolttech Holdings. In 2010, he acquired the asset management business of AIG through PCG, which was subsequently renamed as PineBridge. Mr. Li is a Non-Executive Director of PineBridge.

Mr. Li is a member of the Center for Strategic and International Studies' International Councillors Group in Washington, D.C. He was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

Non-executive Directors

The Honourable Ronald Joseph ARCULLI (夏佳理), GBM, CVO, GBS, OBE, JP, has served as our Non-Executive Director since May 2021 and served as Chairman until July 2022. Mr. Arculli will remain a Non-Executive Director until the earlier of the end of the calendar month of the [**REDACTED**] or 30 December 2022. Mr. Arculli also served as Chairman and Non-Executive Director of our subsidiaries, FGL and FL, since 2013 and until July 2022. He has been Non-Executive Director of FWD Management Holdings since May 2021. Mr. Arculli has been a Senior Partner of King & Wood Mallesons in Hong Kong since 2012 and was previously a founding partner of Arculli & Associates. He is also a Non-Executive Director of HKR International Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited, Tsim Sha Tsui Properties Limited, and of HK Electric Investments Limited, all of which are listed on the HKEX, and HK Electric Investments Manager Limited.

Mr. Arculli has a long and distinguished record of public service, serving on the Executive Council of the HKSAR Government as a Non-Official Member from November 2005 to June 2012 and later as Convenor of the Non-Official Members from October 2011 to June 2012. He was a member of the Legislative Council of Hong Kong from 1998 to 2000, the former Chairman of Hong Kong Exchanges and Clearing Limited from 2006 to 2012 and of The Hong Kong Jockey Club from 2002 to 2006. He also served as a Vice-Chair of the Trustees of the International Financial Reporting Standards (IFRS) Foundation, the supervisory body of the International Accounting Standards Board, from 2015 to 2017 and as Trustee and Director from 2012 to 2017. He was a Board Member from 2008 to 2012, and Chairman from 2010 to 2012 of The World Federation of Exchanges. In 2000, he succeeded His Royal Highness, the Duke of Edinburgh, as Chairman of The International Award Association, a position he held until November 2007. He has served on many commissions and boards, including the Board of Governors of the London Business School. In November 2005, the City University of Hong Kong conferred on Mr. Arculli an Honorary Degree of Doctor of Social Sciences. In November 2010, the Hong Kong University of Science and Technology conferred on him an Honorary Degree of Doctor of Laws.

Mr. Arculli is a practising solicitor and was admitted as a solicitor in England and Wales as well as Hong Kong in June 1976.

Guido FÜRER has served as our Non-Executive Director since September 2021. He has also served as a Director of our subsidiaries, FGL and FL, since 2018.

Mr. Fürer is a member of the Group Executive Committee at Swiss Re Ltd, which is listed on SIX Swiss Exchange. As Group Chief Investment Officer and Head of Asset Management, he is responsible for Swiss Re Group's Global Asset Management. Since 2019, he has been Swiss Re Group's Country President Switzerland and Chairman of the Swiss Re Strategic Council. Mr. Fürer served on the board of directors of Swiss Re America Holding Corporation until November 2021. Mr. Fürer represented Swiss Re Group (a founding member) at the United Nations enabled Net-Zero Asset Owner Alliance and he represents Swiss Re Group at the World Bank's Global Infrastructure Investment Facility and the World Economic Forum's Global Agenda Council. He is engaged in the global dialogue on long-term investing, regularly interacting with policy makers and private sector participants, as well as with institutions such as the Institute of International Finance and OECD, among others. Previously, Mr. Fürer was Head of Swiss Re Group's CIO Office and Chief Investment Officer for the Business Unit Reinsurance. Prior to these roles, he worked for Swiss Re Capital Partners and the New Markets Division.

Prior to joining Swiss Re Group in 1997, he held senior positions at Swiss Bank Corporation/O'Connor & Associates in option trading and at its Capital Market division in Chicago, New York, London and Zurich.

Mr. Fürer graduated with a Master's degree in Economics in July 1987, and a PhD in Financial Risk Management from the University of Zurich in September 1990 and completed an International Executive Programme at INSEAD in April 2000.

Walter KIELHOLZ has served as our Non-Executive Director since September 2021.

Mr. Kielholz is an Honorary Chairman of Swiss Re Group since April 2021. After graduating in finance and accounting, he began his career at General Reinsurance Corporation, Zurich, in 1976. In 1986 he joined Credit Suisse, where he was responsible for banking relationships with large insurance groups. He joined reinsurer Swiss Re Group in 1989, becoming an Executive Board member in 1993, and served as Swiss Re Group's Chief Executive Officer from 1997 to 2002. He was Vice Chairman of Swiss Re Group's board from 2003 and served as Chairman from 2009 until April 2021, where he took up his present honorary role. He has served on a number of Swiss Re Group committees throughout his long and distinguished career at Swiss Re Group, including the Finance and Risk's committee and the Chairman's and Governance Committee.

Mr. Kielholz's positions outside of Swiss Re Group include tenure on the board of Credit Suisse (1999 to 2014, Chairman from 2003 to 2009). He has been elected to the International Insurance Society's Hall of Fame in March 2005 and awarded with the Honorary Citizen Award in Singapore in August 2022. Mr. Kielholz graduated in October 1975 with a Business, Finance and Accounting degree from the University of St. Gallen, Switzerland.

Independent Non-executive Directors

Professor MA Si-Hang, Frederick (馬時亨), GBS, JP, has served as our Independent Non-Executive Director since September 2021 and in July 2022 was appointed as Chairman. Professor Ma served as our Deputy Chairman from January 2022 to July 2022. He has also served as a Director of our subsidiaries, FGL and FL, since December 2013, performing functions akin to those of an Independent Non-Executive Director, and as an Independent Non-Executive Director of FWD Management Holdings since May 2021.

Professor Ma held different senior positions at various local and overseas banks, financial institutions and companies, including Chase Manhattan Bank, Royal Bank of Canada Dominion Securities, JP Morgan Chase, Kumagai Gumi (HK) Limited and Pacific Century Cyberworks Limited. In 2002, he joined the Hong Kong Government as the Secretary for Financial Services and the Treasury and assumed the post of Secretary for Commerce and Economic Development in 2007. In October 2008, he was appointed as an Honorary Professor of the School of Economics and Finance at the University of Hong Kong. In July 2009, Professor Ma was appointed as a Member of the International Advisory Council of China Investment Corporation. In December 2011, he was appointed as a Permanent Honourable President of Hong Kong Special Schools Council. In 2013, he was appointed as a member of Global Advisory Council of the Bank of America, as an Honorary Professor of the Faculty of Business Administration at the Chinese University of Hong Kong and as a member of the Board of Governors of Lui Che Woo Prize Limited. In April 2017, he was appointed as the Council Chairman of The Education University of Hong Kong. In March 2018, he was appointed as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development. In July 2019, he was appointed as a member of

International Advisory Council of Investcorp. He also serves as an Independent Non-Executive Director of HKEX listed COSCO Shipping Holdings Co., Ltd. and Guangshen Railway Company Limited and New York Stock Exchange listed HH&L Acquisition Co. He is also an Independent Non-Executive Director of Unicorn II Holdings Limited. Previously, he was the Chairman and Non-Executive Director of HKEX listed MTR Corporation Limited, a Director of Husky Energy Inc. and COFCO Corporation and an Independent Non-Executive Director of HKEX listed Agricultural Bank of China Limited and New York Stock Exchange listed New Frontier Health Corporation.

Professor Ma graduated with a Bachelor of Arts (Honours) degree from the University of Hong Kong in November 1973, majoring in economics and history.

Professor Ma has been serving the Group as an Independent Director for more than eight years. Our Company has received from Professor Ma a confirmation of independence according to Rule 3.13 of the Listing Rules. Throughout his directorship with the Group, Professor Ma has participated in board meetings to offer impartial advice and exercise independent judgment. Professor Ma has not engaged in any management role of the Group or any arrangement which would interfere with the exercise of his independent judgement. Taking into consideration the independent nature of Professor Ma's role and duties in the past years, the Board is of the view that Professor Ma's duration of service will not interfere with his carrying out the duties and responsibilities as an Independent Non-Executive Director even though he has served the Group for more than eight years. The Board considers Professor Ma to be independent and believes that the continuous appointment of Professor Ma as an Independent Non-Executive Director will help maintain the stability of the Board as Professor Ma has, over time, gained familiarity, experience and valuable insight into the business strategy, affairs and policies of the Group.

Yijia TIONG (張怡嘉) has served as our Independent Non-Executive Director since May 2021. She has also served as an Independent Non-Executive Director of FWD Management Holdings since January 2022.

Ms. Tiong has been the Chief Strategy Officer at Ming Pao Newspapers Limited, a Hong Kong-based newspaper publication, since 2017. She has extensive experience in business development, sales and marketing, media operations and corporate management. She also serves on the boards of various other companies, including as an Executive Director of Media Chinese International Limited, which is dual-listed on HKEX and Bursa Malaysia Securities Berhad, and a Director of Ming Pao Holdings Limited and WAW Creation Limited (formerly known as MCIL Digital Limited).

She graduated from the University of Melbourne with a Bachelor of Arts degree in Art History and Politics and a Bachelor of Commerce degree in Economics and Management in December 2007.

CHUNG Kit Hung, Martina (鍾傑鴻) was appointed to our board in October 2020 and serves as our Independent Non-Executive Director. She currently serves as an Independent Non-Executive Director of FWD Management Holdings. She has also served as a Director of our subsidiaries, FGL and FL, since 2013 and is a Director in other companies affiliated with, or in, our Group, including FWD Financial Services and FWD Group Management. At each of these subsidiaries and companies affiliated with, or in, our Group, Ms. Chung's role is akin to that of an Independent Non-Executive Director. Previously, Ms. Chung served as a Director of PCGI and FWD Pension Trust (renamed to Sun Life Pension Trust Limited in 2017).

Ms. Chung's experience in the Asian life insurance industry spans more than three decades. She joined PCG in October 2011 and was responsible for business development and strategy as its Executive Vice President, Business Development. Prior to joining PCG, Ms. Chung spent 21 years with AIA, where she held a number of management positions, including as Head of Group Corporate Planning, executive oversight for Finance & Actuarial and Group Chief Actuary. She was also a member of the AIA Executive Committee.

Ms. Chung is a Fellow of both the Society of Actuaries (United States) and the Canadian Institute of Actuaries. She graduated from the University of Toronto with a Bachelor of Arts degree in November 1980.

Ms. Chung has been serving the Group as an Independent Director for almost nine years. Our Company has received from Ms. Chung a confirmation of independence according to Rule 3.13 of the Listing Rules. Throughout her directorship with the Group, Ms. Chung has participated in board meetings to offer impartial advice and exercise independent judgment. Ms. Chung has not engaged in any management role of the Group or any arrangement which would interfere with the exercise of her independent judgement. Taking into consideration the independent nature of Ms. Chung's role and duties in the past years, the Board is of the view that Ms. Chung's duration of service will not interfere with her carrying out the duties and responsibilities as an Independent Non-Executive Director even though she has served the Group for almost nine years. The Board considers Ms. Chung to be independent and believes that the continuous appointment of Ms. Chung as an Independent Non-Executive Director will help maintain the stability of the Board as Ms. Chung has, over time, gained familiarity, experience and valuable insight into the business strategy, affairs and policies of the Group.

Dirk SLUIMERS has served as our Independent Non-Executive Director since May 2021. He has served as a Director of our subsidiaries, FGL and FL, since 2016, performing functions akin to those of an Independent Non-Executive Director, and as an Independent Non-Executive Director of FWD Management Holdings since May 2021.

From 2008 to 2016, he was the Chief Executive Officer of APG Group, which provides asset management, administration and fiduciary services for pension funds. Between 2016 and 2021, he was an Extraordinary State Councillor for the Council of State, which is the main advisory body of the Dutch government under chairmanship of King Willem Alexander of the Netherlands. Mr. Sluimers also serves as Vice Chairman of the Supervisory Board of Euronext

Paris listed Euronext NV, Chairman of the Supervisory Board of Euronext Amsterdam NV, Chairman of the Supervisory Board of NIBC Bank and a member of the Supervisory Board of Euronext Amsterdam listed AkzoNobel NV. Mr. Sluimers is a member of the Advisory Boards of Quore Capital, Hemingway Corporate Finance and Spencer Stuart Executive Search. Additionally, he is an advisor to Bank of America Merrill Lynch, Arrow Global Ltd, Equitix Ltd and Hakluyt & Company. He currently serves on a number of cultural and educational boards, including as a member of the Board of Governors of the State Academy for Finance and Economics, Trustee of the Erasmus University Trust Fund and he is Chairman of the Thorbecke Fund. In September 2017, he was appointed to the Electoral Committee of the Dutch Liberal Party, having previously served in this committee for the elections in 2010 and 2012. From 2003 to 2008, Mr. Sluimers was Chairman of the Board of Directors and Chief Financial Officer of ABP, the pension fund. Between 1991 and 2003, he held various positions at the Dutch Ministry of Finance, including as Director General of the Budget. Between 1987 and 1991, he was Deputy Director General at the Ministry of Public Health, and from 1979 to 1987, he held senior positions at the Ministry of Social Affairs and the Ministry of Finance. Previously, he was also a member of the Supervisory Boards of Atradius NV, Fokker NV, the National Investment Bank NV, Inter Access NV and ABP Insurance NV. He has also served on the Board of Trustees of the IFRS Foundation, the supervisory body of the International Accounting Standards Board and the Advisory Board of Rabobank. He was also the Chairman of the Board of Governors of the Postgraduate Programme for Treasury Management at the University of Amsterdam.

He graduated in April 1980 with a Master's degree in Economics from the Erasmus University Rotterdam and is an Officer in the Order of Orange Nassau.

The Honourable John BAIRD, P.C. has served as our Independent Non-Executive Director since September 2021. He has also served as a Director of our subsidiaries, FGL and FL, since 2015, performing functions akin to those of an Independent Non-Executive Director, and as an Independent Non-Executive Director of FWD Management Holdings since November 2021. Mr. Baird has also been a Non-Executive Director of our affiliated company, PineBridge since 2015.

Mr. Baird is a former Senior Cabinet Minister in the Government of Canada and serves as a Senior Advisor to various enterprises. A figure in bilateral trade and investment relationships, Mr. Baird has played a leading role in the Canada-China dialogue and worked to build ties with ASEAN countries. Mr. Baird spent three terms as a member of Parliament and four years as Minister of Foreign Affairs. He also served as President of the Treasury Board, Minister of the Environment, Minister of Transport and Infrastructure, and Leader of the Government in the House of Commons. In 2010, Mr. Baird was selected by the Ministers of Parliament from all parties as Parliamentarian of the Year. Prior to entering federal politics, Mr. Baird spent ten years in the Ontario Legislature where he served as Minister of Community and Social Services, Minister of Energy, and Government House Leader.

Mr. Baird has served as a Senior Business Advisor with Bennett Jones LLP, a Canadian law firm, since 2015. In addition, Mr. Baird holds positions on the advisory board of New York Stock Exchange listed Barrick Gold Corp. and corporate boards of Canadian Pacific, Canadian Forest Products (Canfor) where he serves as chair and Toronto Stock Exchange listed Osisko Gold Royalties Ltd. He serves as a Senior Advisor at Eurasia Group, a global political risk consultancy. Mr. Baird also volunteers his time with Community Living Ontario, an organisation that supports individuals with developmental disabilities, the Prince's Trust Canada, the charitable office of His Royal Highness, The Prince of Wales, and is a board member of the Friends of Israel Initiative.

Mr. Baird graduated in May 1992 with an Honours Bachelor of Arts degree in Political Studies, and was conferred an Honorary Doctor of Laws from Queen's University at Kingston in June 2018.

Kyoko HATTORI has served as our Independent Non-Executive Director since September 2021. She has also served as a Director of our subsidiaries, FGL and FL, since 2017 and of FWD Life Japan since December 2017, performing functions at these companies akin to those of an Independent Non-Executive Director. She has been an Independent Non-Executive Director of FWD Management Holdings since May 2021.

Ms. Hattori holds the position of Regional Director at Phillips Auctioneers Limited in Japan. She started their Tokyo office in 2016 and is responsible for the management of client relationships and development of the collector base. Prior to that, from 2013 to 2015, Ms. Hattori was a Consultant at Spencer Stuart & Associates, where she led executive searches for both Japanese and global clients in the consumer industry. Between 2004 and 2013, she rose from Associate to Director at Aetos Japan, where she was in charge of deal origination and management of client relationships and transactions including hard assets, non-performing loans and mergers & acquisitions, with a focus on Japanese and foreign financial institutions, and spearheading the company's marketing efforts. From 2002 to 2004, she worked at Space Design, a property developer, as a Manager and subsequently an Executive Officer, overseeing their business planning, marketing and project management. Ms. Hattori started her career in 1998 with a four-year stint as a business analyst and an associate at McKinsey & Company, providing consulting services to clients in the banking, insurance, pharmaceutical and FMCG industries.

She graduated from University of Tokyo with a degree in economics in March 1998.

Save as disclosed above in *"– Board of Directors"* above and *"Appendix V – Statutory and General Information"*, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT OF THE GROUP

The Executive Directors and members of the senior management of the Group are responsible for the day-to-day management of our business. Certain information relating to the Executive Directors is set out in "– *Directors*" above.

The members of the senior management of the Group include the following:

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
HUYNH Thanh Phong (alias 黄清風)	56	Group Chief Executive Officer and Executive Director	Overall strategic planning and business direction	March 2014	December 2013
Jon NIELSEN	49	Managing Director and Group Chief Financial Officer	Leads the finance, investment and governance functions across the Group and oversees financial direction and strategy	October 2019	October 2019
Simeon PRESTON	52	Managing Director and Group Chief Operating Officer	Responsible for the Group's customer, brand and marketing, operations, product propositions, digital and data, technology, innovation, and transformation teams	March 2020	March 2020
Binayak DUTTA	49	Managing Director, Emerging Markets and Group Chief Distribution Officer	Oversees our life businesses in Southeast Asia, as well as the growth and development of distribution channels across the Group	November 2016	November 2016
LAU Chi Kin (柳志堅)	54	Managing Director, Greater China, and Chief Executive Officer, Hong Kong	Leads our business growth and development in mainland China, Macau and Hong Kong	March 2018	January 2018

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
Boon-Kee TAN	49	Group Chief Strategy and Business Officer	Responsible for the Group's strategy development, mergers & acquisitions, new business model rollout, performance management, and our environment, social and governance (ESG) initiatives	April 2019	February 2019
Lee MURPHY	57	Group Chief Human Resources Officer	Responsible for Group's people, culture and organisational strategy and people operations	July 2020	July 2020
Peter GRIMES	63	Regional Chief Executive Officer, Thailand and Cambodia	Leading FWD Thailand's business growth and development, and market entry into Cambodia	October 2013	October 2013
David KORUNIĆ	56	Chief Executive Officer, Thailand	Leading FWD Thailand's business growth and development	October 2020	July 2019
Hideki YAMAGISHI	55	Chief Executive Officer, Japan	Leading FWD Life Japan's business growth and development	January 2021	January 2021

HUYNH Thanh Phong (alias 黃清風) is our Company's Group Chief Executive Officer and has served as Group Chief Executive Officer of our subsidiaries, FGL and FL, since March 2014. He is also an Executive Director of our Company. For further details of Mr. Huynh, please refer to the paragraph headed "*Directors and Senior Management – Board of Directors – Executive Directors – HUYNH Thanh Phong*" in this section.

Jon NIELSEN has served as our Managing Director and Group Chief Financial Officer of our Group since October 2019. He heads our finance, investment and governance functions, overseeing its financial direction and strategy. He also serves as a Director on the boards of FWD Life Japan and FWD Management Holdings, as well as holding director positions on the boards of various other companies in our Group. Mr. Nielsen has 26 years of insurance industry experience, with more than 16 years of experience in Asia, bringing extensive international and regional experience from within the insurance sector, undertaking senior financial management positions at both group and regional leadership levels. Prior to joining us, Mr. Nielsen was the Group Chief Risk Officer and a member of the Group Executive Committee, overseeing the group's risk and compliance functions for AIA. Previously, he served as Regional Chief Financial Officer at AIA, as a listed company. Mr. Nielsen also held a number of senior roles at AIG in New York, Allianz in Munich, and Deloitte & Touche in the US and Hong Kong. Mr. Nielsen graduated with a Bachelor of Science in Business Administration degree in May 1995 and holds a Master of Professional Accountancy in August 1996 from the University of Nebraska–Lincoln.

Simeon PRESTON has served as our Managing Director and Group Chief Operating Officer since March 2020. He leads our customer, brand and marketing, operations, product propositions, digital and data, technology, innovation and transformation teams. He also holds director positions on the boards of various companies in our Group. He has over 20 years of experience in growth markets with over 15 years of insurance experience in Asia. Prior to joining us, Mr. Preston held the position of Chief Executive Officer, International Markets for Bupa where he led the business' operations in Asia, Middle East and most of the Americas. Previously, he was Group Chief Operations Officer for AIA. Mr. Preston graduated with a Bachelor of Science degree in Geography from the London School of Economics in August 1991 and obtained a Master of Science degree in Geographic Information Systems from Leicester University in July 1992, a Master of Science degree in Transportation Policy and Planning from the University of Newcastle-upon-Tyne in December 1993 and a Master of Business Administration degree from INSEAD in July 1999.

Binayak DUTTA joined the Group as Group Chief Distribution Officer in November 2016 and has been in his current role since February 2018 as our Managing Director, Emerging Markets and Group Chief Distribution Officer. He oversees our life insurance companies in Emerging Markets as well as the growth and development of our distribution channels across our Group. He has over 20 years of experience in the insurance industry in Asia. He holds various board positions within our Group, including in Indonesia, Malaysia, Singapore and Vietnam. Prior to joining us, he served as the Chief Executive Officer of Prudential Life Assurance (Thailand) Public Company Limited and has a track record in leading multi-national insurers through diverse phases from start-up to acquisition, merger and realignment. Mr. Dutta graduated with a Bachelor of Economics degree from Jadavpur University in August 1994 and obtained a Master of Business Management degree from the Institute of Management Technology in India in June 1996.

LAU Chi Kin (柳志堅) has served as the Managing Director of Greater China and Chief Executive Officer, Hong Kong, since March 2018. He manages our business in Hong Kong and Macau, spearheading a technology-driven, customer-led strategy, and is responsible for driving our expansion plans into Greater China. He also serves as a Director on the board of FWD Philippines. Mr. Lau has more than 30 years of experience in the insurance industry in Asia, having held a number of senior management positions, including as the Chief Executive Officer of Union Life and as President of Ping An Life in China. Mr. Lau graduated from the University of Hong Kong with a Bachelor of Science degree in December 1989 and is a Fellow of the Society of Actuaries.

Boon-Kee TAN has served as our Group Chief Strategy and Business Officer since April 2019. She has also been a sponsor of the Mergers & Acquisition Committee of the Group. Ms. Tan is responsible for our Group's strategy, mergers and acquisitions, performance management and new business model rollout in Asia. She also oversees our Group's environmental, social and governance (ESG) initiatives, harnessing our core business interests to promote sustainability and financial empowerment across the region. She also holds director positions on the boards of various companies in our Group. Ms. Tan has a financial services track record spanning more than 20 years. Prior to joining us, she served in various senior management positions in the Asia Pacific offices of Goldman Sachs and Deutsche Bank AG. Ms. Tan graduated with a Bachelor of Accountancy in May 1994 and a Master of Business Administration degree in November 2000, both from Nanyang Technological University in Singapore.

Lee MURPHY has served as our Group Chief Human Resources Officer since July 2020 and leads our People, Organisation and Human Resources strategy, driving a well-being strategy to foster a caring and performance driven culture across the Group. Mr. Murphy has more than 20 years of international experience in the human resources industry – gained from leading diverse teams across Asia Pacific, Europe and the Americas with companies including Google, Microsoft and Nokia. Mr. Murphy has broad experience across a range of industries including transformational, leadership coaching, talent management, inclusion and diversity and organisational development initiatives. Mr. Murphy graduated with a Master's in Business Employment Relations from the University of Technology Sydney in May 1995.

Peter GRIMES has served as Regional Chief Executive Officer, Thailand and Cambodia since January 2020 and is responsible for driving growth and providing leadership oversight for Thailand and Cambodia. Previously, Mr. Grimes was the Executive Director, President and Chief Executive Officer of FWD Philippines from November 2014 to December 2019 and was responsible for growing our business in the Philippines under his leadership. Mr. Grimes is also a Director of FWD Cambodia, Ultimate Cosmos Limited, Enterprise Innovation Holdings Limited, OGS (II) Limited, OGS (I) Limited and Future Radiance Limited. Mr. Grimes has well over 20 years of experience in the insurance industry in Asia. Formerly, Mr. Grimes held various senior positions at Prudential including the President and Chief Executive Officer at Pru Life Insurance Corporation of U.K in the Philippines.

David KORUNIĆ has served as the Chief Executive Officer of FWD Thailand since October 2020 and joined the Group in July 2019. He is a qualified Chartered Accountant who has over 30 years' experience in the life insurance industry in Asia. Previous roles include various country and regional financial controller roles and country CFO and CEO roles including with Manulife from December 1989 to February 1997, Allianz from February 1997 to November 2003, Prudential Corporation Asia from November 2003 to August 2004, AXA from August 2004 to December 2018 and SCB Life, now amalgamated with FWD Thailand, from September 2019 to October 2020. Mr. Korunić received a Bachelor of Commerce degree from University of Canterbury, New Zealand in 1986.

Hideki YAMAGISHI has served as our Chief Executive Officer for FWD Life Japan since January 2021. Mr. Yamagishi has extensive management and leadership experience in the Japan financial services industry. Previously, Mr. Yamagishi was the Chief Executive Officer, Japan for NFC Holdings, a JASDAQ-listed company providing insurance agency and brokerage services from August 2009 to August 2020. During his tenure at NFC Holdings, he supported the company with its initial public offering and its mergers and acquisitions and integration strategies. Mr. Yamagishi is a diploma graduate of international business from Kanda Institute of Foreign Language in Japan in March 1987.

JOINT COMPANY SECRETARIES

Steven WINEGAR has been appointed as one of our Joint Company Secretaries with effect from 1 August 2022. He has over 27 years of legal experience and has been the General Counsel of our Group since August 2020. Mr. Winegar began his career in the United States as a corporate attorney at Shearman & Sterling and Goldman Sachs. He then relocated to Hong Kong with Goldman Sachs in 2005, becoming Managing Director and senior counsel at the bank before returning to private practice in 2010 when he joined Paul Hastings. He served as partner and chair of Paul Hastings' Hong Kong office before joining Ping An Group in 2018, where he served as overseas company lawyer and general counsel until July 2020.

Mr. Winegar received his Bachelor of Arts degree from Yale University in May 1989 and his Juris Doctor degree from the University of California, Los Angeles, School of Law School in May 1994. Mr. Winegar was admitted to the California Bar in 1994 and the New York Bar in 1998.

LUI Wing Yat Christopher is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Mr. Lui has over 10 years of experience in the corporate secretarial field. He has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Mr. Lui is currently the company secretary/joint company secretary of listed companies on the Stock Exchange, namely, TOT BIOPHARM International Company Limited (stock code: 1875), HBM Holdings Limited (stock code: 2142), CARsgen Therapeutics Holdings Limited (stock code: 2171), Helens International Holdings Company Limited (stock code: 9869) and TI Cloud Inc. (stock code: 2167).

Mr. Lui is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Mr. Lui obtained his Bachelor of Science (Economics) in Economics and Statistics from University College London in August 2011.

BOARD COMMITTEES

The Board has established the audit committee, the compensation committee, the nomination and corporate governance committee, and the risk committee.

Audit Committee

We have established the audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to oversee the financial reporting system and internal control procedures of our Company, review the financial information of our Company and consider issues relating to the external auditors and their appointment.

The audit committee consists of four Directors. The members of the audit committee are:

MA Si-Hang, Frederick (*Chairman*)
CHUNG Kit Hung, Martina
Walter KIELHOLZ
Dirk SLUIMERS

Compensation Committee

We have established a compensation committee of the Board in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the compensation committee are to make recommendations to the Board on our policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The compensation committee consists of five Directors. The members of the compensation committee are:

CHUNG Kit Hung, Martina (*Chairman*)
Guido FÜRER
Kyoko HATTORI
LI Tzar Kai, Richard
Yijia TIONG

Nomination and Corporate Governance Committee

We have established a nomination and corporate governance committee of the Board (the "**Nomination Committee**") in compliance with the Corporate Governance Code of the Listing Rules. The primary duties of the nomination and corporate governance committee are to review the structure, size and composition of the Board, assess the independence of the Independent Non-Executive Directors, make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, overseeing our Company's ESG and sustainability strategy, initiatives, policies and/or practices and performance and otherwise taking a leadership role in shaping the corporate governance of our Company and to ensure that we are operated and managed for the benefit of all shareholders and to ensure our compliance with the Listing Rules.

The Nomination Committee consists of five Directors. The members of the Nomination Committee are:

MA Si-Hang, Frederick (*Chairman*)
John BAIRD
Kyoko HATTORI
Walter KIELHOLZ
Yijia TIONG

Risk Committee

We have established the Risk Committee with written terms of reference. The primary duties of the Risk Committee are to oversee the implementation of the enterprise risk management framework across our Company, ensuring the formulation and implementation of our investment strategies, oversee the investment of all our assets (other than operating assets) within the risk guidelines set by the board, and review and approve our investment strategy, permissible asset universe and asset allocation frameworks.

The Risk Committee consists of five Directors. The members of the Risk Committee are:

Guido FÜRER (*Chairman*)
John BAIRD
CHUNG Kit Hung, Martina
Dirk SLUIMERS
MA Si-Hang, Frederick

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For the years ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2022, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's pension scheme) and bonuses paid by the Group to the Directors were HK$68 million, HK$57 million, HK$40 million and HK$12 million, respectively.

Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors for the financial year ending 31 December 2022 are estimated to be HK$66 million.

For the year ended 31 December 2019, two of the five highest paid individuals were Directors. The aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's pension scheme) and bonuses paid by the Group to the three remaining highest paid individuals were HK$134 million.

For the year ended 31 December 2020, one of the five highest paid individuals was a Director. The aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's pension scheme) and bonuses paid by the Group to the four remaining highest paid individuals were HK$179 million.

For the year ended 31 December 2021, none of the five highest paid individuals was a Director. The aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's pension scheme) and bonuses paid by the Group to the five highest paid individuals were HK$183 million.

For the three months ended 31 March 2022, none of the five highest paid individuals was a Director. The aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the Group's pension scheme) and bonuses paid by the Group to the five remaining highest paid individuals were HK$73 million.

The remuneration of our senior management is designed to provide equitable, motivating and competitive incentive to align with Shareholders' interest and foster the long-term sustainable growth of the business within overall risk management framework. The remuneration mainly comprises base salary, short-term variable remuneration and long-term variable remuneration. The variable remunerations are linked to achievement of certain key performance indicators with substantial weight afforded to VNB, which accounts for 30-35% of the incentive indicators in the year ended 31 December 2022. The current weightings of key performance indicators reflect our business strategies with a focus on sustainable and value-focused growth.

During the Track Record Period, remuneration in the amount of HK$107 million was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of our Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the letters of appointment entered into between our Company and the Directors is set out in "*Appendix V – Statutory and General Information.*"

BOARD DIVERSITY

The Board has adopted a policy which sets out the approach to achieving diversity for the Board. The board diversity policy aims to enhance the effectiveness of our board and our corporate governance standards by ensuring diversity. Women now make up 27% of our Board, and more than 30% of our assistant vice presidents or above are women.

Our Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise, independence and knowledge and diversity of perspectives appropriate to the requirements of the businesses of our Company.

Our Company maintains that Board appointment should be based on merit that complements and expands the skills, experience, expertise, independence and knowledge of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

The Nomination Committee of our Company is responsible for reviewing the structure, size and composition of the Board, selecting the individuals to be nominated as Directors, reviewing and monitoring the implementation of the board diversity policy, reviewing succession plan of Directors and making recommendations on these matters to the Board for approval to ensure that it has a balanced composition of skills, experience, expertise, independence and knowledge appropriate to the requirements of the businesses of our Company, with due regard to the benefits of diversity on the Board.

COMPLIANCE ADVISER

We have appointed CMB International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company. In compliance with Rule 3A.23 of the Listing Rules, our Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement and circular as well as financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases/buy-backs;

(c) where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of the compliance adviser will commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

FUTURE PLANS

See "*Business – Our Growth Strategies*" for a detailed description of our future plans and strategies.

[REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the stated range between HK$[**REDACTED**] and HK$[**REDACTED**] per Share), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**] (including [**REDACTED**] expenses of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to consolidated income statement of the Group during the Track Record Period), assuming the [**REDACTED**] is not exercised. In line with our strategies, we intend to use our net [**REDACTED**] from the [**REDACTED**] for the enhancement of our capital position under the GWS regime and for the provision of growth capital for our operating entities, including the following:

(a) approximately HK$[**REDACTED**] million (equivalent to approximately US$[**REDACTED**] million), for strengthening our share capital, enhancing our solvency position and central liquidity, as well as building a capital buffer in excess of applicable statutory requirements. Such amounts, which contribute to our capital adequacy ratios, also forms part of the regulatory capital base required to support growth and opportunities to further penetrate customer and channel reach across our operations, including the enhancement of our digital capabilities and strategy, which are in line with our business strategies as described in "*Business – Our Growth Strategies*"; and

(b) approximately HK$[**REDACTED**] million (equivalent to approximately US$[**REDACTED**] million), for our additional committed capital contributions to BRI Life over the next two years as described in "*Business – Our Operations in our Geographic Markets – Our Emerging Markets – Indonesia*".

To the extent that our actual net [**REDACTED**] from the [**REDACTED**] are higher or lower than our estimate above, we will increase or decrease our allocation of the net [**REDACTED**] for the purpose set out in paragraph (a) above.

Assuming the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**] (including [**REDACTED**] expenses of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to consolidated income statement of the Group during the Track Record Period), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**], assuming the [**REDACTED**] is determined to be the [**REDACTED**], approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] is determined to be the [**REDACTED**], and approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] is determined to be HK$[**REDACTED**] per Share, being the mid-point of [**REDACTED**].

Assuming the [**REDACTED**] is exercised in full, after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**] (including [**REDACTED**] expenses of US$[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) which have been charged to consolidated income statement of the Group during the Track Record Period), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**], assuming the [**REDACTED**] is determined to be the [**REDACTED**], approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] is determined to be the [**REDACTED**], and approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] is determined to be HK$[**REDACTED**] per Share, being the mid-point of [**REDACTED**]. The additional net [**REDACTED**] will be allotted to the purpose set out in paragraph (a) above in the event that the [**REDACTED**] is exercised.

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not fully deployed, or are not immediately required to be deployed towards our committed capital contributions to BRI Life as described in paragraph (b) above, we intend to apply such net [**REDACTED**] towards further enhancing our capital buffer in excess of applicable statutory requirements in line with paragraph (a) above. The Company will disclose by way of an announcement on the Stock Exchange in the case of any change after [**REDACTED**] to the [**REDACTED**] of the [**REDACTED**] as set out above.

In preparation of the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from the Companies (WUMP) Ordinance:

Waiver in Relation to Partially Exempt Continuing Connected Transactions

Certain members of the Group have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [**REDACTED**]. We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements in respect of such continuing connected transactions under Chapter 14A of the Listing Rules. See "*Connected Transactions – Partially Exempt Continuing Connected Transactions*".

Waiver in Relation to the Appointment of Joint Company Secretaries

Rule 8.17 of the Listing Rules requires our Company to appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules requires our Company to appoint an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules provides that in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, C(WUMP)O, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29; and

(d) professional qualifications in other jurisdictions.

Mr. Steven WINEGAR has been the General Counsel of our Group since August 2020. Mr. Winegar was admitted to the California Bar in 1994 and the New York Bar in 1998 and has over 27 years of legal experience. Further details of Mr. Winegar's qualifications and experience are set out in "*Directors and Senior Management*". Notwithstanding his relevant knowledge and experience, he does not possess the specified qualifications strictly required under Rule 3.28 of the Listing Rules.

Our Company has therefore appointed Mr. LUI Wing Yat Christopher as the joint company secretary of our Company to assist Mr. Winegar in discharging the duties of company secretary of our Company under the Listing Rules.

Mr. Lui currently serves as a senior manager of corporate services of Tricor Services Limited. He has over 10 years of experience in the corporate secretarial field. Mr. Lui is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. As an Associate of The Hong Kong Chartered Governance Institute, Mr. Lui satisfies the requirements under Rule 3.28 of the Listing Rules to jointly discharge the duties and responsibilities under the Listing Rules as the company secretary of our Company with Mr. Winegar and to assist Mr. Winegar in acquiring the relevant experience under Note 2 to Rule 3.28 of the Listing Rules. In support of the waiver application, our Company will adopt the following arrangements:

(a) Mr. Lui and, for at least the period required by Rule 3A.19 of the Listing Rules, the compliance adviser will work closely with Mr. Winegar to jointly discharge the duties and responsibilities as the company secretaries of our Company and to assist Mr. Winegar to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the [**REDACTED**], a period which should be sufficient for Mr. Winegar to acquire the relevant experience as required under the Listing Rules;

(b) our Company will ensure that Mr. Winegar continues to have access to the relevant training and support in relation to the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange; and

(c) at the end of the three-year period, the qualifications and experience of Mr. Winegar and the need for on-going assistance of Mr. Lui will be further evaluated by our Company. Our Company will then endeavor to demonstrate to the Stock Exchange's satisfaction that Mr. Winegar, having had the benefit of the assistance of Mr. Lui for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

Our Company has applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period of three years from the [**REDACTED**], on the condition that the waiver may be revoked if (i) Mr. Lui ceases to provide assistance to Mr. Winegar during the three-year period or (ii) there are material breaches of the Listing Rules by our Company.

Waiver in relation to Management Presence in Hong Kong

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the Executive Directors must be ordinarily resident in Hong Kong.

Although the Group's headquarter and our Company's principal place of business are located in Hong Kong, the Group also has business operations located across other jurisdictions, including Macau, Thailand, Cambodia, Indonesia, the Philippines, Singapore, Vietnam, Japan and Malaysia. Our Company has two executive directors, Mr. Li Tzar Kai, Richard and Mr. Huynh Thanh Phong, who ordinarily reside and are based in Hong Kong and Singapore, respectively. Our Company considers that it would be practically difficult and commercially unreasonable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocating Mr. Huynh Thanh Phong or appointing additional executive directors resident in Hong Kong. Accordingly, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rule 8.12 of the Listing Rules.

Our Company has applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirement for management presence in Hong Kong under Rule 8.12 of the Listing Rules, subject to our Company adopting the following arrangements to maintain regular communications with the Stock Exchange:

(a) our Company has appointed Mr. Steven Winegar, Mr. Huynh Thanh Phong and Mr. Lui Wing Yat Christopher as its authorised representatives for the purpose of Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. Mr. Huynh Thanh Phong, however, is not and will not be ordinarily resident in Hong Kong. As such, we have also appointed Mr. Ma Si-Hang, Frederick, Chairman and one of our independent non-executive directors (who will be ordinarily resident in Hong Kong) as our alternative authorised representative. As and when the Stock Exchange wishes to contact the Directors on any matters, each of these authorised representatives and alternative authorised representative will have the means to contact all of the Directors promptly at all times;

(b) our Company has provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, fax number and e-mail address) to facilitate communication with the Stock Exchange;

(c) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period; and

(d) our Company has appointed CMB International Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange.

Waiver in Relation to Disclosure Requirements with respect to Changes in Share Capital

Our Company applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within the two years immediately preceding the issue of this document.

Globally, our Group has more than 60 subsidiaries across over 10 different jurisdictions, many of which are holding companies that do not have substantive operations. It would be unduly burdensome for our Company to disclose this information in relation to all of the subsidiaries within the Group, which would not be material or meaningful to investors. Our Company has identified the 18 subsidiaries that it considers are material to the operations of the Group and/or contributed significantly to the Group's financial performance during the Track Record Period, namely, FL, FGL, FWD Life (Bermuda), FWD Reinsurance, FWD Life (Hong Kong), FWD Life Assurance (Hong Kong), FWD Life Japan, FWD Thailand, FWD Management Holdings, FWD Life (Macau), FWD Takaful, FWD Vietnam, FWD Assurance (Vietnam), FWD Philippines, FWD Singapore, PT FWD Asset Management, PT FWD Insurance Indonesia and Valdimir (the "**Principal Subsidiaries**"). By way of illustration, (i) the aggregate revenue of the Principal Subsidiaries in respect of which the relevant information is disclosed represents 99.5%, 99.1%, 99.5% and 99.8% of the Group's total revenue for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the three months ended 31 March 2022, respectively; and (ii) the aggregate assets of the Principal Subsidiaries in respect of which the relevant information is disclosed represents 98.0%, 97.8%, 97.4% and 97.5% of the Group's total assets for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the three months ended 31 March 2022, respectively. Accordingly, the remaining subsidiaries in the Group are insignificant to the overall results of the Group. Subsidiaries of the Group which are not Principal Subsidiaries do not hold any intellectual properties that are material to the Group.

The particulars of the changes in the share capital of our Company and the Principal Subsidiaries are disclosed in "*Appendix V – Statutory and General Information – A. Further information about our Company – 2. Changes in the Share Capital of our Company*" and "*Appendix V – Statutory and General Information – A. Further information about our Company – 4. Subsidiaries*" to the document. Further, all major shareholding changes and reorganisation steps taken by the Group have been included in "*History, Reorganisation and Corporate Structure*" in the document.

Waiver in Relation to Post Track Record Period Acquisitions

Our Company applied for, [and the Stock Exchange has granted,] a waiver from strict compliance with the requirements of Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the inclusion of an accountants' report in this document of the income statements and balance sheets of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of this document.

In accordance with paragraph 4 of the Notes to Rule 4.04(4), the Stock Exchange may consider an application for a waiver from strict compliance with Rules 4.04(2) and 4.04(4) taking into account the following: (i) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period; (ii) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (WUMP) Ordinance; and (iii) (a) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which rules 4.04(2) and 4.04(4) relate, and has disclosed in listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or (b) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a disclosable transaction under Listing Rules 14.58 and 14.60 on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4)).

A subsidiary of our Company entered into an agreement on 19 June 2020 to subscribe for 29.9% of the issued share capital of BRI Life, a company established under the laws of Indonesia, for US$273 million. This initial subscription closed in March 2021. In March 2022, the Group subscribed for a further 5.2% of the share capital of BRI Life for US$54 million, resulting in the Group's shareholding in BRI Life increasing to 35.1%. BRI Life is principally engaged in manufacturing and distributing life insurance products and services in Indonesia. As part of the terms of the initial subscription, to support BRI Life's growth plans, the subsidiary of our Company agreed to subscribe for additional shares in BRI Life over three tranches over the course of the next three years following the initial subscription (including the subscription round which completed in March 2022), with the subsequent subscription rounds to close in March 2023 and March 2024 respectively, following which the Group will own 44.0% of the issued share capital of BRI Life (the subscription rounds in March 2023 and March 2024, the "**BRI Life Further Subscriptions**"). As disclosed in the section "*Future Plans and* [**REDACTED**] – [**REDACTED**]" in this document, the BRI Life Further Subscriptions will be partially financed using the [**REDACTED**] from the [**REDACTED**]. The financial results of BRI Life are not, and will not be upon completion of the BRI Life Further Subscriptions, consolidated into the consolidated financial statements of the Group.

FL subscribed for a promissory note from Sherpa Technology Pte. Ltd. ("**Sherpa**"), a company established under the laws of Singapore, on 24 March 2022 for the sum of US$500,000 together with accrued but unpaid interest (the "**Sherpa Convertible**"). Sherpa is principally engaged in the provision of protection scores to its users through simplified financial needs analysis, and an intuitive engagement platform to drive cross-selling through customised product recommendations. The promissory note will mature on 31 December 2022, after which FL may elect to convert all or part of the balance then outstanding into shares of Sherpa at the conversion price of the lower of (i) the appraised value; and (ii) the quotient obtained by dividing US$20,000,000 by the total number of shares of Sherpa (the "**Valuation Cap**"). However if on or prior to the maturity date Sherpa issues new shares for an aggregate consideration of US$1,000,000 or more, the entire balance then outstanding of the Sherpa Convertible will be automatically converted into shares of Sherpa at the conversion price of the lower of (i) 80% of the price the new shares are issued at; and (ii) the Valuation Cap. Based on the potential valuation range of Sherpa, FL is not expected to hold more than 5% of the issued share capital of Sherpa upon conversion. Any conversion of the Sherpa Convertible is subject to regulatory approval. The financial results of Sherpa will not be consolidated into the consolidated financial statements of the Group upon conversion of the Sherpa Convertible.

On 29 April 2022, FGL subscribed for approximately US$12.8 million (out of a total of up to US$50,000,000) of convertible loan notes (such convertible loan notes issued to the Group, the "**Hyphen Notes**") issued by CompareAsia Group Capital Limited ("**Hyphen Group**"), a company established under the laws of the Cayman Islands in which the Group holds a direct 25.4% interest and to which FL had extended a bridge loan of US$5,000,000 with a return of 20%. US$6,000,000 of the principal amount of the Hyphen Notes was paid for by way of set off against the repayment amount payable by Hyphen Group to FL under the aforementioned bridge loan (the rights to receive which was transferred for value by FL to FGL). Hyphen Group operates online platforms and provision of insurance brokerage and marketing services. The Hyphen Notes will mature and be redeemed by Hyphen Group on the date falling four years after their date of issuance (or upon the occurrence of a change of control in relation to the Hyphen Group which is not a Qualified Sale), together with accrued interest (such interest payable on the date of each anniversary of the date of issuance of the Hyphen Notes in the form of payment-in-kind notes ("**PIK Notes**"), and which PIK Notes will themselves accrue interest). If, on or prior to the redemption date, (i) Hyphen Group issues new shares for an aggregate consideration of US$30,000,000 or more ("**Qualifying Fund Raising**"); (ii) a change of control occurs in relation to Hyphen Group and pursuant to which noteholders would receive in exchange for the shares issued upon conversion an amount equal to or more than the principal amount of the outstanding notes and accrued interest ("**Qualified Sale**"); or (iii) Hyphen Group pursues an initial public offering with an offering price that implies a market capitalisation of not less than US$200,000,000 and which results in aggregate cash proceeds to the Company of not less than US$50,000,000 or its equivalent ("**Qualified IPO**"), all of the outstanding Hyphen Notes as well as convertible loan notes issued to other subscribers (and any PIK Notes) will be automatically converted into the most senior class of shares of Hyphen Group issued (in the case of a Qualifying Fund Raising) or ordinary shares (in the case of a Qualified Sale or Qualified IPO) and at the conversion price of a discount on the lowest price the most senior class of shares are issued in the Qualifying Fund Raising, on the lowest price per ordinary share paid by the buyer in the Qualified Sale or on the initial public offering price per ordinary share in the Qualified IPO (as the case may be), such discount being 30% during the period up to 90 days after the date of issuance of the Hyphen Notes and increasing an additional 5% in each 90 day period thereafter up to a maximum amount of 50% (the "**Discount**"). If, on or prior to the redemption date, Hyphen Group issues new shares for an aggregate consideration of less than US$30,000,000, each subscriber may elect to convert all (but not less than all) of the outstanding Hyphen Notes issued to it into the most senior class of shares of Hyphen Group so issued and at the conversion price of a Discount on the lowest price such class of shares are issued at. Based on the potential valuation range of Hyphen Group, the Group is expected to hold between 20% to 30% of the issued share capital of Hyphen Group upon conversion of all of the Hyphen Notes and convertible loan notes issued to other holders. The financial results of Hyphen Group are not, and will not be upon conversion of the Hyphen Notes, consolidated into the consolidated financial statements of the Group.

In respect of the BRI Life Further Subscriptions, based on the financial information of BRI Life available to our Company, all of the percentage ratios in respect of the BRI Life Further Subscriptions are less than 5%. Given the size of the transaction, the BRI Life Further Subscriptions are not material for the assessment of the Group by investors. BRI Life and its ultimate beneficial owner(s) are independent of the Company and its connected persons. In addition, our Company [has obtained] a certificate of exemption from the SFC in respect of the requirements under paragraph 32 of the Third Schedule to the Companies (WUMP) Ordinance. It would also be impracticable and unduly burdensome for our Company to prepare the financial information in respect of BRI Life given our Company will remain a minority shareholder even after the increase in shareholding from 35.1% currently and any subsequent increase to 44.0% pursuant to the BRI Life Further Subscriptions. It does not and will not exercise control over the underlying business, and cannot procure BRI Life to make available its books and records for the purposes of conducting an audit. In addition, BRI Life's books and records are prepared under Indonesia GAAP, and significant time and effort would be required to conform such books and records to the Group's accounting policies.

The Directors believe that the waiver would not prejudice the interests of the investing public as the BRI Life Further Subscriptions will not result in any significant change to our Company's financial position since the end of the Track Record Period (i.e., 31 March 2022 and any subsequent stub period) and adequate information that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of the Group has been included in the document and such information meets the requirements for an announcement for a disclosable transaction under Rules 14.58 and 14.60.

In respect of the Sherpa Convertible, based on the financial information of Sherpa available to our Company, all of the percentage ratios in respect of any conversion of the Sherpa Convertible are less than 5%. Given the size of the transaction, any conversion of the Sherpa Convertible would not be material for the assessment of the Group by investors. Sherpa and its ultimate beneficial owner(s) are independent of the Company and its connected persons. The Directors believe that the waiver would not prejudice the interests of the investing public as any conversion of the Sherpa Convertible will not result in any significant change to our Company's financial position since the end of the Track Record Period (i.e., 31 March 2022 and any subsequent stub period) and adequate information that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of the Group has been included in the document and such information meets the requirements for an announcement for a disclosable transaction under Rules 14.58 and 14.60.

In respect of the Hyphen Notes, based on the financial information of Hyphen Group available to our Company, all of the percentage ratios in respect of any conversion of the Hyphen Notes are less than 5%. Given the size of the transaction, any conversion of the Hyphen Notes would not be material for the assessment of the Group by investors. Hyphen Group and its ultimate beneficial owner(s) are independent of the Company and its connected persons. It would also be impracticable and unduly burdensome for our Company to prepare the financial information in respect of Hyphen Group given our Company is currently a 25.4% minority shareholder and will remain a minority shareholder after any conversion of the Hyphen Notes. It does not and will not exercise control over the underlying business, and cannot procure Hyphen Group to make available its books and records for the purposes of conducting an audit. The Directors believe that the waiver would not prejudice the interests of the investing public as any conversion of the Hyphen Notes will not result in any significant change to our Company's financial position since the end of the Track Record Period (i.e., 31 March 2022 and any subsequent stub period) and adequate information that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of the Group has been included in the document and such information meets the requirements for an announcement for a disclosable transaction under Rules 14.58 and 14.60.

Based on the following reasons, our Company has applied for a certificate of exemption from strict compliance with the requirements of paragraph 32 of Part II of the Third Schedule to the Companies (WUMP) Ordinance such that our Company will not be required to present an accountants' report in respect of the BRI Life Further Subscriptions.

Based on the financial information of BRI Life available to our Company, all of the percentage ratios in respect of the BRI Life Further Subscriptions are less than 5%. Given the size of the transactions, the BRI Life Further Subscriptions are not material for the assessment of the Group by investors. It would also be impracticable and unduly burdensome for our Company to prepare the financial information in respect of BRI Life given our Company will remain a minority shareholder even after the increase in shareholding from 35.1% currently and any subsequent increase to 44.0% pursuant to the BRI Life Further Subscriptions. It does not and will not exercise control over the underlying business, and cannot procure BRI Life to make available its books and records for the purposes of conducting an audit. In addition, BRI Life's books and records are prepared under Indonesia GAAP, and significant time and effort would be required to conform such books and records to the Group's accounting policies. The Directors believe that the exemption would not prejudice the interests of the investing public as the BRI Life Further Subscriptions will not result in any significant change to our Company's financial position since the end of the trading record period (i.e. 31 March 2022 and any subsequent stub period) and adequate information that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of the Group has been included in the document and such information meets the requirements for an announcement for a disclosable transaction under Rules 14.58 and 14.60. The SFC has granted a certificate of exemption from strict compliance with paragraph 32 of the Third Schedule to the Companies (WUMP) Ordinance on the conditions that (a) the particulars of the exemption be set forth in this document; and (b) this document be issued on or before [·].

Waiver in Relation to Disclosure of Full details of Option Grantees

Under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include, among other things, details of the number, description and amount of any Shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it was given, and their potential dilution effect on the shareholdings upon [**REDACTED**] as well as the impact on the earnings per share arising from the exercise of such outstanding options.

Paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance requires our Company to set out in this document, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the following particulars of the option, that is to say: (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given (together, the requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance the "**Share Option Disclosure Requirements**").

As at the Latest Practicable Date, 32 grantees, including employees, senior management and directors of the Group and its affiliates, hold outstanding share options in respect of 148,289 "stapled share units", comprising 148,289 shares in FL and 148,289 shares in FGL under the Share Option and RSU Plan. Such outstanding share options will be satisfied, to the extent that they vest and/or are exercised after the [**REDACTED**], using Shares of our Company. The share options will be satisfied by up to an aggregate of approximately [**REDACTED**] Shares of our Company, representing [**REDACTED**] of the Shares in issue immediately following the completion of the [**REDACTED**], calculated based on the [**REDACTED**] to show the maximum dilution impact. The final maximum number of Shares of our Company to be allotted and issued and/or transferred upon the vesting and/or exercise of the [**REDACTED**] Awards after the [**REDACTED**] will be disclosed in the allotment results announcement. For further details, please refer to "*Statutory and General Information – Equity Incentive Plans.*"

Our Company has applied (i) to the Stock Exchange for[, and the Stock Exchange has granted] a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules and the condition to make available a full list of grantees with all the particulars required under paragraph 10(d) of the Third Schedule of the Companies (WUMP) Ordinance and Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules; and (ii) to the SFC for[, and the SFC has granted,] a certificate of exemption under Section 342A of the Companies (WUMP) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, respectively, on the grounds that the harm caused by strict compliance with the Share Option Disclosure Requirements by disclosing the full identities of the option grantees and their individual grants would, for the reasons set out below, significantly outweigh any benefit of such disclosures to prospective investors in the [**REDACTED**]; therefore, it would be inappropriate under the Companies (WUMP) Ordinance to make such disclosures:

(a) as of the Latest Practicable Date, among all the grantees holding outstanding share options under the [**REDACTED**] Awards, none are Directors or connected persons, save for directors and chief executives of the Company's subsidiaries (other than insignificant subsidiaries);

(b) the [**REDACTED**] Awards (including the outstanding share options granted under the Share Option and RSU Plan) have formed a critical component of the compensation packages offered to the option grantees for the purpose of attracting and retaining them;

(c) as a young company, the Group needed to use share option awards to entice senior management and other key employees to leave established players in the industry and take risks associated with a high-growth company in the early stage of its development. Accordingly, the information relating to the outstanding share options of the grantees is highly sensitive and confidential;

(d) The outstanding [**REDACTED**] Awards granted in the form of share options under the Share Option and RSU Plan were not granted in anticipation of or for the purposes of the [**REDACTED**]. The grantees accepted options as part of their compensation based on mid- to long-term views on the value of the Group. Therefore, they should be treated like other non-substantial [**REDACTED**] shareholders about whom there is limited disclosure in the document. It would be inconsistent to require the full identities of the option grantees and their individual number of grants. To further draw the distinction between [**REDACTED**] Awards and future equity plans, as stated on page [V-25] of this document, the Group does not intend to make further grants under the Share Option and RSU Plan after the [**REDACTED**];

(e) full disclosure of the details of the outstanding share options of all the grantees (in particular members of the Group's senior management) would provide the Group's competitors with critical elements of the grantees' compensation packages and would expose the Group to an enhanced risk of competitors attempting to solicit key personnel, potentially leading to their premature departures from the Group and a significant setback to the Group's strategic plans;

(f) full disclosure of the outstanding share options of the grantees (in particular members of the Group's senior management) would also allow the grantees to gain access to the details of other grantees' compensation, which could negatively affect company morale and give rise to unwarranted internal comparisons and competition among the Group's leadership and other key personnel;

(g) furthermore, none of the option grantees have individually been granted share options which would be satisfied by Shares representing more than [**REDACTED**] of the total number of Shares immediately following the completion of the [**REDACTED**], and collectively the option grantees have been granted share options which would be satisfied by Shares representing only [**REDACTED**] of the total number of Shares immediately following the completion of the [**REDACTED**], calculated based on the [**REDACTED**] to show the maximum dilution impact. These shareholdings, individually or collectively, would under any measure be regarded as de minimis and can be treated as immaterial; and

(h) in any event, the identities of the option grantees should not be material to prospective investors because the following information about the outstanding share options has already been disclosed in this document;

(i) the total maximum number of Shares underlying the outstanding share options, calculated based on the [**REDACTED**] to show the maximum dilution impact;

(ii) the total number of option grantees;

(iii) for grantees who are (i) directors and chief executives of our Company's subsidiaries (other than insignificant subsidiaries); (ii) the other senior management of the Group; and (iii) other grantees who are not Directors, members of the senior management of the Group or connected persons of our Company, disclosure on an individual anonymised basis (without names and addresses) of (1) the date of grant of the outstanding share options and the number of Shares underlying the outstanding share options, (2) the consideration (if any) paid for the grant of the outstanding share options; and (3) the exercise period and the exercise price for the outstanding share options;

(iv) the exercise price for the share options;

(v) the exercise periods for the share options;

(vi) vesting periods for the share options;

(vii) the potential dilutive effect of the exercise of the share options; and

(viii) the impact on earnings upon full exercise of the outstanding share options.

The Stock Exchange has granted waiver under the Listing Rules on the conditions that:

(a) full details of the outstanding share options under the [**REDACTED**] Awards granted to each of the Directors have been disclosed in the section headed "*Statutory and General Information – D. Equity Incentive Plans*" in Appendix V to this document, on an individual basis, as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules;

(b) for the outstanding share options under the [**REDACTED**] Awards granted to the remaining grantees, comprising (i) directors and chief executives of the Company's subsidiaries (other than insignificant subsidiaries); (ii) the other senior management of the Group; and (iii) other grantees who are not Directors, members of the senior management of the Group or connected persons of the Company, disclosure in the section headed "*Statutory and General Information – D. Equity Incentive Plans*" in Appendix V to this document, on an individual anonymised basis (without names and addresses) of (i) the date of grant of the outstanding share options and the number of Shares underlying the outstanding share options, (ii) the consideration (if any) paid for the grant of the outstanding share options; and (iii) the exercise period and the exercise price for the outstanding share options;

(c) there is disclosure in this document of the aggregate number of Shares underlying the outstanding share options under the [**REDACTED**] Awards and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date, calculated based on the [**REDACTED**] to show the maximum dilution impact;

(d) the dilution effect and impact on earnings per Share upon full exercise of the outstanding share options under the [**REDACTED**] Awards are disclosed in the section headed "*Statutory and General Information – D. Equity Incentive Plans*" in Appendix V to this document;

(e) a summary of the key terms of the [**REDACTED**] Awards is disclosed in the section headed "*Statutory and General Information – D. Equity Incentive Plans*" in Appendix V to this document;

(f) a certificate of exemption under the Companies (WUMP) Ordinance is granted by the SFC exempting our Company from strict compliance with the disclosure requirements set out in paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance; and

(g) the particulars of the waiver are disclosed in this document.

The SFC has granted to our Company the certificate of exemption under section 342A of the Companies (WUMP) Ordinance on the conditions that:

(a) full details of the outstanding share options under the [**REDACTED**] Awards granted to each of the Directors have been disclosed in the section headed "*Appendix V – Statutory and General Information – D. Equity Incentive Plans*", on an individual basis, as required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance;

(b) for the outstanding share options under the [**REDACTED**] Awards granted to the remaining grantees, comprising (i) directors and chief executives of the Company's subsidiaries (other than insignificant subsidiaries); (ii) the other senior management of the Group; and (iii) other grantees who are not Directors, members of the senior management of the Group or connected persons of the Company, disclosure in the section headed "*Appendix V – Statutory and General Information – D. Equity Incentive Plans*", on an individual anonymised basis (without names and addresses) of (i) the date of grant of the outstanding share options and the number of Shares underlying the outstanding share options, (ii) the consideration (if any) paid for the grant of the outstanding share options; and (iii) the exercise period and the exercise price for the outstanding share options;

(c) the particulars of the exemption are disclosed in this document; and

(d) this document be issued on or before [·].

Waiver in Relation to the [**REDACTED**]

Rule 10.01 of the Listing Rules provides that normally no more than 10% of any securities being marketed for which [**REDACTED**] is sought may be offered to employees or past employees of the issuer or its subsidiaries or associated companies and their respective dependents or any trust, provident fund or pension scheme for the benefit of such persons on a preferential basis.

Our Company intends to make a [**REDACTED**] to Eligible Employees under the [**REDACTED**] in accordance with Rule 10.01 of the Listing Rules as well as a [**REDACTED**] to Eligible Agents under the [**REDACTED**] as part of the [**REDACTED**]. However, Rule 10.01 of the Listing Rules does not strictly extend to permit [**REDACTED**] to be made to the Eligible Agents. Our Company has applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with Rule 10.01 of the Listing Rules in order to permit the [**REDACTED**] to be made to Eligible Agents, in addition to the [**REDACTED**], conditional on the number of the [**REDACTED**] subject to the [**REDACTED**] and the [**REDACTED**] in aggregate not exceeding 10% of the total [**REDACTED**] initially available under the [**REDACTED**] with reference to Rule 10.01 of the Listing Rules. For further details, please refer to the section headed "Structure of the [**REDACTED**] – The [**REDACTED**]" in this Document.

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FWD GROUP HOLDINGS LIMITED, MORGAN STANLEY ASIA LIMITED, GOLDMAN SACHS (ASIA) L.L.C., CMB INTERNATIONAL CAPITAL LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-181, which comprises the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the three months ended 31 March 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-181 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [·] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the [**REDACTED**] of The [**REDACTED**] of Hong Kong Limited (the "[**REDACTED**]").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 1.3 and 2.1 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 1.3 and 2.1 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 1.3 and 2.1 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated income statements, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 1.3 and 2.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 1.3 and 2.1 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the [REDACTED] of Securities on the [REDACTED] and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to notes 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
[·]

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst and Young in accordance with International Standards of Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in the United States dollars and all values are rounded to the nearest million (US$m) except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

US$m	Notes	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
REVENUE						
Premiums and fee income		6,047	8,776	10,426	2,894	2,901
Premiums ceded to reinsurers		(920)	(1,094)	(1,124)	(335)	(325)
Net premiums and fee income		5,127	7,682	9,302	2,559	2,576
Investment return	*7*	955	1,581	2,137	425	86
Other operating revenue	*7*	150	224	258	73	71
Total revenue		6,232	9,487	11,697	3,057	2,733
EXPENSES						
Insurance and investment contract benefits		5,362	7,941	9,396	2,525	2,209
Insurance and investment contract benefits ceded		(477)	(646)	(731)	(227)	(120)
Net insurance and investment contract benefits		4,885	7,295	8,665	2,298	2,089
Commission and commission related expenses		416	832	1,121	305	356
General expenses		1,010	1,212	1,243	279	268
Finance costs		109	209	184	39	30
Other expenses		155	157	167	48	32
Total expenses	*8*	6,575	9,705	11,380	2,969	2,775
Profit/(loss) before share of profit/(loss) from associates and joint ventures		(343)	(218)	317	88	(42)
Share of profit/(loss) from associates and joint ventures	*13*	7	(1)	9	2	(2)
Profit/(loss) before tax from continuing operations		(336)	(219)	326	90	(44)
Tax benefit/(expense) attributable to policyholders' returns		(1)	(4)	(1)	–	1
Profit/(loss) from continuing operations before tax attributable to shareholders' profits		(337)	(223)	325	90	(43)
Tax benefit/(expense) from continuing operations	*9*	20	(53)	(126)	(33)	(57)
Tax (benefit)/expense attributable to policyholders' returns		1	4	1	–	(1)
Tax benefit/(expense) attributable to shareholders' profits		21	(49)	(125)	(33)	(58)
Profit/(loss) from continuing operations after tax		(316)	(272)	200	57	(101)
Profit/(loss) from discontinued operations, net of tax	*5*	(16)	20	49	49	–
Net profit/(loss)		(332)	(252)	249	106	(101)
Profit/(loss) from continuing operations after tax attributable to:						
Shareholders of the Company		(266)	(257)	99	32	(83)
Perpetual securities		38	65	65	16	13
Non-controlling interests		(88)	(80)	36	9	(31)
Net profit/(loss) attributable to:						
Shareholders of the Company		(278)	(243)	135	67	(83)
Perpetual securities		38	65	65	16	13
Non-controlling interests		(92)	(74)	49	23	(31)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Net profit/(loss)	**(332)**	**(252)**	**249**	**106**	**(101)**
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to profit or loss					
Fair value gains/(losses) on available for sale financial assets (net of tax of: 31 December 2019 US$217m, 31 December 2020 US$114m, 31 December 2021 US$(303m), 31 March 2021 US$(324m) and 31 March 2022 US$(338m))	934	691	(1,321)	(1,522)	(1,853)
Fair value (gains)/losses on available for sale financial assets transferred to income (net of tax of: 31 December 2019 US$(13m), 31 December 2020 US$(25m), 31 December 2021 US$(20m), 31 March 2021 US$(6m) and 31 March 2022 US$3m)	(55)	(166)	(90)	(36)	29
Cash flow hedges	12	(24)	4	(90)	(1)
Foreign currency translation adjustments	227	7	(470)	(240)	(30)
Share of other comprehensive income/(loss) from associates and joint ventures	3	4	(5)	(4)	–
Subtotal	1,121	512	(1,882)	(1,892)	(1,855)
Items that will not be reclassified subsequently to profit or loss:					
Effect of re-measurement of net liability of defined benefit schemes (net of tax of: 31 December 2019 US$nil, 31 December 2020 US$nil, 31 December 2021 US$nil, 31 March 2021 US$nil and 31 March 2022 US$nil)	–	–	2	1	–
Total other comprehensive income/(loss)	**1,121**	**512**	**(1,880)**	**(1,891)**	**(1,855)**
Total comprehensive income/(loss)	**789**	**260**	**(1,631)**	**(1,785)**	**(1,956)**
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company	569	126	(1,230)	(1,306)	(1,432)
Perpetual securities	38	65	65	16	13
Non-controlling interests	182	69	(466)	(495)	(537)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

US$m	*Notes*	As at 31 December 2019	2020	2021	As at 31 March 2022
ASSETS					
Intangible assets	*12*	3,487	3,531	3,348	3,332
Investments in associates and joint ventures	*13*	296	307	332	382
Property, plant and equipment	*14*	184	194	159	154
Investment property	*15*	542	609	663	656
Reinsurance assets	*16*	2,880	3,232	3,404	3,392
Deferred acquisition costs	*17*	3,766	4,591	4,742	4,717
Financial investments	*18, 20*				
Loans and deposits		1,701	1,754	1,688	1,761
Available for sale debt securities		30,837	37,839	37,156	35,655
At fair value through profit or loss					
Debt securities		109	129	79	78
Equity securities		4,111	5,740	8,253	8,248
Derivative financial instruments	*19*	193	180	120	131
		36,951	45,642	47,296	45,873
Deferred tax assets	*9*	1	5	9	137
Current tax recoverable		19	24	20	20
Other assets	*21*	909	1,285	921	1,232
Cash and cash equivalents	*22*	1,911	2,730	2,652	2,312
Assets classified as held-for-sale	*5*	359	400	107	–
Total assets		**51,305**	**62,550**	**63,653**	**62,207**
LIABILITIES					
Insurance contract liabilities	*23*	37,342	45,181	47,981	48,607
Investment contract liabilities	*24*	314	300	217	205
Deferred ceding commission	*26*	724	990	1,052	1,048
Borrowings	*27*	3,946	3,457	2,212	2,213
Derivative financial instruments	*19*	167	214	157	288
Provisions		19	21	18	18
Deferred tax liabilities	*9*	484	578	341	114
Current tax liabilities		26	51	22	94
Other liabilities	*28*	2,394	3,155	2,639	2,723
Liabilities directly associated with assets classified as held-for-sale	*5*	359	378	67	–
Total liabilities		**45,775**	**54,325**	**54,706**	**55,310**

US$m	*Notes*	As at 31 December 2019	2020	2021	As at 31 March 2022
EQUITY					
Share capital and share premium	*29*	2,329	4,045	6,019	6,211
Other reserves	*29*	58	65	98	96
Accumulated losses		(305)	(390)	(283)	(440)
Amounts reflected in other comprehensive income		836	1,178	(187)	(1,536)
Fair value reserve	*29*	650	1,004	(21)	(1,347)
Cash flow hedge reserve	*29*	6	(11)	(9)	(10)
Defined benefit obligation revaluation reserve		–	–	2	2
Foreign currency translation reserve	*29*	175	178	(162)	(185)
Share of other comprehensive income of associates and joint venture		5	7	3	4
Total equity attributable to Shareholders of the Company		**2,918**	**4,898**	**5,647**	**4,331**
Perpetual securities	*29*	1,608	1,607	1,607	1,339
Non-controlling interests	*29*	1,004	1,720	1,693	1,227
Total equity		**5,530**	**8,225**	**8,947**	**6,897**
Total liabilities and equity		**51,305**	**62,550**	**63,653**	**62,207**

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

US$m	*Notes*	As at 31 December 2019	2020	2021	As at 31 March 2022
ASSETS					
Investment in subsidiaries	*37*	542	3,713	4,890	5,160
Prepayments		–	–	8	8
Cash and cash equivalents	*22*	249	316	1,175	1,075
Total assets		**791**	**4,029**	**6,073**	**6,243**
LIABILITIES					
Loan from a Financing entity	*35*	251	–	–	–
Current tax liabilities		–	–	2	2
Due to a related party	*35*	60	–	–	–
Amount due to subsidiaries	*35*	–	–	13	18
Trade and other payables		1	1	38	13
Total liabilities		**312**	**1**	**53**	**33**
EQUITY					
Share capital and share premium	*29*	480	4,045	6,019	6,211
Other reserves	*29*	–	–	15	15
Accumulated losses		(1)	(17)	(14)	(16)
Total equity		**479**	**4,028**	**6,020**	**6,210**
Total liabilities and equity		**791**	**4,029**	**6,073**	**6,243**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

US$m	Notes	Attributable to Shareholders of the Company			Other comprehensive income						
		Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
Balance as at 1 January 2019		2,329	51	(58)	(11)	(3)	4	3	997	711	4,023
Net profit/(loss)		–	–	(278)	–	–	–	–	38	(92)	(332)
Fair value gains on available for sale financial assets		–	–	–	704	–	–	–	–	230	934
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	(39)	–	–	–	–	(16)	(55)
Foreign currency translation adjustments		–	–	–	–	–	171	–	–	56	227
Cash flow hedges		–	–	–	–	9	–	–	–	3	12
Share of other comprehensive income from associates and a joint venture		–	–	–	–	–	–	2	–	1	3
Total comprehensive income/(loss) for the period		–	–	(278)	665	9	171	2	38	182	789
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	38	38
Issuance of shares by subsidiaries	29	–	(18)	36	(4)	–	–	–	–	66	80
Distribution paid	29	–	–	–	–	–	–	–	(27)	–	(27)
Share-based compensation	33	–	23	–	–	–	–	–	–	7	30
Acquisition of non-controlling interests	29	–	–	(3)	1	–	–	–	–	(1)	(3)
Issuance of perpetual securities	29	–	–	–	–	–	–	–	600	–	600
Transfer to legal reserve		–	2	(2)	–	–	–	–	–	–	–
Others		–	–	–	(1)	–	–	–	–	1	–
Balance as at 31 December 2019		2,329	58	(305)	650	6	175	5	1,608	1,004	5,530

		Attributable to Shareholders of the Company									
					Other comprehensive income						
US$m	*Notes*	Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
Balance as at 1 January 2020		2,329	58	(305)	650	6	175	5	1,608	1,004	5,530
Net profit/(loss)		–	–	(243)	–	–	–	–	65	(74)	(252)
Fair value gains on available for sale financial assets		–	–	–	511	–	–	–	–	180	691
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	(121)	–	–	–	–	(45)	(166)
Foreign currency translation adjustments		–	–	–	–	–	(7)	–	–	14	7
Cash flow hedges		–	–	–	–	(17)	–	–	–	(7)	(24)
Share of other comprehensive income from associates and a joint venture		–	–	–	–	–	–	3	–	1	4
Total comprehensive income/(loss) for the period		–	–	(243)	390	(17)	(7)	3	65	69	260
Capitalisation for the Transfer and Novation of Borrowings and Related Party Balances pursuant to Reorganisation (Note 1.2.2)	*1.2.2*	1,716	–	–	–	–	–	–	–	–	1,716
Issuance of shares by subsidiaries	*29*	–	(10)	(128)	20	–	(1)	–	–	331	212
Distribution paid	*29*	–	–	–	–	–	–	–	(65)	–	(65)
Share-based compensation	*33*	–	18	–	–	–	–	–	–	7	25
Acquisition of non-controlling interests	*29*	–	1	(150)	21	–	4	–	–	1	(123)
Transactions with non-controlling interests	*29*	–	(4)	445	(72)	–	3	–	–	308	680
Disposal of subsidiary		–	–	–	(5)	–	–	–	–	(1)	(6)
Transfer to legal reserve		–	1	(1)	–	–	–	–	–	–	–
Others		–	1	(8)	–	–	4	(1)	(1)	1	(4)
Balance as at 31 December 2020		4,045	65	(390)	1,004	(11)	178	7	1,607	1,720	8,225

		Attributable to Shareholders of the Company										
					Other comprehensive income							
US$m	*Notes*	Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
Balance as at 1 January 2021		4,045	65	(390)	1,004	(11)	–	178	7	1,607	1,720	8,225
Net profit		–	–	135	–	–	–	–	–	65	49	249
Fair value losses on available for sale financial assets		–	–	–	(960)	–	–	–	–	–	(361)	(1,321)
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	(65)	–	–	–	–	–	(25)	(90)
Foreign currency translation adjustments		–	–	–	–	–	–	(341)	–	–	(129)	(470)
Cash flow hedges		–	–	–	–	3	–	–	–	–	1	4
Share of other comprehensive loss from associates and a joint venture		–	–	–	–	–	–	–	(4)	–	(1)	(5)
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	2	–	–	–	–	2
Total comprehensive income/(loss) for the period		–	–	135	(1,025)	3	2	(341)	(4)	65	(466)	(1,631)
Issuance of shares	*29*	1,989	–	–	–	–	–	–	–	–	–	1,989

US$m	Notes	Attributable to Shareholders of the Company										
					Other comprehensive income							
		Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
Share Surrender	*29*	(15)	15	–	–	–	–	–	–	–	–	–
Issuance of shares by subsidiaries	*29*	–	(10)	2	–	–	–	–	–	–	8	–
Distribution paid	*29*	–	–	–	–	–	–	–	–	(65)	–	(65)
Share-based compensation	*33*	–	23	–	–	–	–	–	–	–	9	32
Acquisition of non-controlling interests	*29*	–	3	(207)	4	(4)	–	–	–	–	204	–
Transactions with non-controlling interests	*29*	–	(3)	188	(5)	4	–	–	–	–	216	400
Transfer to legal reserve		–	5	(5)	–	–	–	–	–	–	–	–
Others		–	–	(6)	1	(1)	–	1	–	–	2	(3)
Balance as at 31 December 2021		6,019	98	(283)	(21)	(9)	2	(162)	3	1,607	1,693	8,947

US$m	Notes	Attributable to Shareholders of the Company				Other comprehensive income						
		Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
(Unaudited)												
Balance as at 1 January 2021		4,045	65	(390)	1,004	(11)	–	178	7	1,607	1,720	8,225
Net profit		–	–	67	–	–	–	–	–	16	23	106
Fair value losses on available for sale financial assets		–	–	–	(1,104)	–	–	–	–	–	(418)	(1,522)
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	(27)	–	–	–	–	–	(9)	(36)
Foreign currency translation adjustments		–	–	–	–	–	–	(174)	–	–	(66)	(240)
Cash flow hedges		–	–	–	–	(66)	–	–	–	–	(24)	(90)
Share of other comprehensive loss from associates and a joint venture		–	–	–	–	–	–	–	(3)	–	(1)	(4)
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	1	–	–	–	–	1
Total comprehensive income/(loss) for the period		–	–	67	(1,131)	(66)	1	(174)	(3)	16	(495)	(1,785)
Distribution paid	29	–	–	–	–	–	–	–	–	(32)	–	(32)
Share-based compensation	33	–	6	–	–	–	–	–	–	–	2	8
Others		–	–	(2)	–	–	–	1	–	–	2	1
Balance as at 31 March 2021		4,045	71	(325)	(127)	(77)	1	5	4	1,591	1,229	6,417

		Attributable to Shareholders of the Company											
					Other comprehensive income								
US$m	*Notes*	Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance as at 1 January 2022		6,019	98	(283)	(21)	(9)	2	(162)	3	1,607	1,693	8,947
Net profit/(loss)		–	–	(83)	–	–	–	–	–	13	(31)	(101)
Fair value losses on available for sale financial assets		–	–	–	(1,347)	–	–	–	–	–	(506)	(1,853)
Fair value losses on available for sale financial assets transferred to income on disposal		–	–	–	21	–	–	–	–	–	8	29
Foreign currency translation adjustments		–	–	–	–	–	–	(22)	–	–	(8)	(30)
Cash flow hedges		–	–	–	–	(1)	–	–	–	–	–	(1)
Share of other comprehensive loss from associates and joint ventures		–	–	–	–	–	–	–	–	–	–	–
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income/(loss) for the period		–	–	(83)	(1,326)	(1)	–	(22)	–	13	(537)	(1,956)

		Attributable to Shareholders of the Company										
					Other comprehensive income							
US$m	*Notes*	**Share Capital and share premium**	**Other reserves**	**Accumulated losses**	**Fair value reserve**	**Cash flow hedge reserve**	**Defined benefit obligation revaluation reserve**	**Foreign currency translation reserve**	**Share of other comprehensive income of associates and joint ventures**	**Perpetual securities**	**Non-controlling interests**	**Total equity**
Issuance of shares		192	–	–	–	–	–	–	–	–	–	192
Redemption of perpetual securities	*29*	–	–	(2)	–	–	–	–	–	(248)	–	(250)
Distribution paid	*29*	–	–	–	–	–	–	–	–	(33)	–	(33)
Share-based compensation	*33*	–	(2)	–	–	–	–	–	–	–	(1)	(3)
Transactions with non-controlling interests	*29*	–	–	(74)	–	–	–	–	–	–	74	–
Disposal of subsidiary	*5*	–	–	–	(1)	–	–	(1)	–	–	(1)	(3)
Others		–	–	2	1	–	–	–	1	–	(1)	3
Balance as at 31 March 2022		6,211	96	(440)	(1,347)	(10)	2	(185)	4	1,339	1,227	6,897

CONSOLIDATED STATEMENTS OF CASH FLOWS

US$m	Notes	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax:						
From continuing operations		(336)	(219)	326	90	(44)
From discontinued operations	5	(15)	22	50	50	–
Adjustments for:						
Financial investments		(4,249)	(6,644)	(4,548)	534	(462)
Insurance and investment contract liabilities, and deferred acquisition and origination costs		2,840	4,487	2,517	123	647
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		933	1,129	(608)	(877)	(6)
Operating cash items:						
Dividend received		91	140	295	51	49
Interest received		741	1,112	1,149	203	204
Interest paid		–	(2)	(1)	–	–
Income tax paid		(37)	(27)	(48)	(28)	(4)
Net cash provided by/(used in) operating activities		(32)	(2)	(868)	146	384
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of subsidiaries and distribution agreements, net of cash acquired	5	(2,991)	(910)	–	–	–
Acquisition of interest in an associate	13	–	(16)	(273)	(273)	(54)
Dividend and distribution from joint ventures		9	10	246	2	5
Payments for intangible assets		(54)	(54)	(187)	(117)	(432)
Payments for investment properties		(225)	(44)	(117)	–	(28)
Payments for property, plant and equipment		(32)	(16)	(17)	(2)	(4)
Proceeds from disposal of a subsidiary, net of cash disposed		–	59	9	9	38
Proceeds from disposal of a business		–	–	10	10	–
Proceeds from disposals of intangible assets		–	382	233	233	–
Proceeds from disposals of property, plant and equipment		–	–	2	–	–
Restricted cash for acquisitions		(58)	56	–	–	–
Net cash used in investing activities		**(3,351)**	**(533)**	**(94)**	**(138)**	**(475)**

US$m	Notes	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
CASH FLOWS FROM FINANCING ACTIVITIES						
Issuance of convertible preference shares		80	–	–	–	–
Issuance of ordinary shares		–	–	2,025	–	200
Transaction costs on issuance of ordinary shares		–	–	(4)	–	(31)
Repayment of bank borrowings		–	–	(2,250)	–	–
Proceeds from bank borrowings		1,950	793	1,000	–	–
Restricted cash		(79)	71	39	1	4
Proceeds from guaranteed notes		498	–	–	–	–
Proceeds from subordinated notes		900	–	–	–	–
Proceeds from mandatory convertible securities	*29.5*	–	210	–	–	–
Proceeds from a short-term loan		–	440	–	–	–
Repayment of a short-term loan		–	(440)	–	–	–
Issuance of perpetual securities	*29.3*	600	–	–	–	–
Distributions paid on perpetual securities	*29.3*	(27)	(65)	(65)	(32)	(33)
Redemption of perpetual securities	*29.3*	–	–	–	–	(250)
Acquisition of non-controlling interests	*29.5*	(3)	(123)	–	–	–
Transaction with non-controlling interests	*29.5*	–	680	400	–	–
Principal portion of lease payments		(40)	(46)	(54)	(14)	(11)
Finance costs paid on lease liabilities		(6)	(6)	(5)	(1)	(1)
Finance costs paid on borrowings		(99)	(160)	(127)	(45)	(38)
Finance costs paid on distribution agreement payable		–	–	(8)	(7)	(72)
Payment for [**REDACTED**] related expenses		–	(1)	(3)	–	–
Net cash provided by/(used in) financing activities		**3,774**	**1,353**	**948**	**(98)**	**(232)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		391	818	(14)	(90)	(323)
Cash and cash equivalents at beginning of year		1,493	1,911	2,740	2,740	2,654
Effect of exchange rate changes on cash and cash equivalents		27	11	(72)	(52)	(19)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,911	2,740	2,654	2,598	2,312
Included in cash and cash equivalents per the consolidated statements of financial position	*22*	1,911	2,730	2,652	2,598	2,312
Included in the assets classified as held-for-sale		–	10	2	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General information

FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited and subsequently changed to FWD Group Holdings Limited) (the "Company" or "FWD Group Holdings Limited"), is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 18 March 2013. The address of the Company registered office is Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is a holding company. The Company and its subsidiaries (collectively, "FWD Group" or the "Group") are principally engaged in the provision of products and services focusing on life insurance, general insurance, and investment services (the "Insurance Business").

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the immediate and ultimate holding company of the Company was PCGI Holdings Limited. PCGI Holdings Limited is wholly owned by Mr. Richard Li Tzar Kai, the ultimate controlling shareholder of the Group (the "Ultimate Controlling Shareholder").

1.2 History and reorganisation of the Group

1.2.1 Historical holding structure

The historical holding structure of the Group prior to the completion of the reorganisation was as follows:

- The Company was and continues to be the immediate holding company of FWD Group Limited ("FGL").
- PCGI Limited was the immediate holding company of FWD Limited ("FL"), an exempted company with limited liability incorporated under the laws of the Cayman Islands. As at 31 December 2019, PCGI Limited was wholly owned by Mr. Richard Li Tzar Kai.
- PCGI Limited and the Company were the immediate holding companies of PCGI Intermediate Limited and PCGI Intermediate Holdings (II) Limited (collectively, the "Financing Entities"), respectively.

1.2.2 Reorganisation of the Group

The Group underwent the following reorganisation steps ("Reorganisation"):

1. On 17 December 2020, the Company and PCGI Limited carried out a merger under the laws of the Cayman Islands (the "Merger"), pursuant to which:

   i. The Company assumed all the assets, liabilities and business of PCGI Limited, and PCGI Limited ceased to exist according to the laws of the Cayman Islands; and

   ii. The Company issued 18,486,640 ordinary shares to Mr. Richard Li Tzar Kai on a one-to-one basis of his holding of ordinary shares of PCGI Limited.

   Following the Merger, the share capital and share premium of the Company increased by US$18m and US$1,831m, respectively. The Company became the immediate investment holding company of FL, FGL and the Financing Entities.

2. On 23 December 2020, Mr. Richard Li Tzar Kai transferred his holding of 18,486,640 ordinary shares of the Company to PCGI Holdings Limited in exchange for 18,486,640 ordinary shares of PCGI Holdings Limited. Following such transfer, the Company became the wholly owned subsidiary of PCGI Holdings Limited.

3. On 23 December 2020, the Company transferred its shareholding in the Financing Entities and novated the bank borrowings and guaranteed notes of US$1,296m and a related party balance of US$420m to PCGI Holdings Limited by way of capitalisation (the "Transfer and Novation of Borrowings and Related Parties Balances"). Refer to Notes 27, 29 and 35 for further details. PCGI Holdings Limited replaced the Company (itself and as successor of PCGI Limited) as the guarantor of certain notes issued by the Financing Entities. After the completion of the Transfer and Novation of Borrowings and Related Parties Balances, US$1,716m was capitalised as share premium.

4. On 20 August 2021, the name of the Company was changed from PCGI Intermediate Holdings Limited to FWD Group Holdings Limited.

5. On 20 August 2021, the Company effected a share split of all of the Company's issued and outstanding ordinary shares on a 1-for-100 basis ("Share Split"), pursuant to which the par value of each ordinary share was adjusted from US$1 to US$0.01. On the same date, PCGI Holdings Limited surrendered 1,514,065,560 ordinary shares of US$0.01 each for nil consideration pursuant to a form of surrender letter ("Share Surrender"). Accordingly, the par value of the ordinary shares surrendered at an amount of US$15m was transferred from share capital to capital redemption reserve. The Share Split and Share Surrender effectively resulted in a 1-for-30 split of the Company's issued ordinary shares.

6. On 14, 15 and 20 December 2021 and 14 and 27 January 2022, the Company allotted and issued in aggregate 259,170,649 ordinary shares to certain investors ("[**REDACTED**] Investments"). Following the [**REDACTED**] Investments, PCGI Holdings Limited holds approximately 76.9% shareholding in the Company. Refer to Note 29 for further details.

7. On 10 January 2022, the Company adopted the dual foreign name of "富衛集團有限公司".

   The following reorganisation steps are expected to be completed conditional on and upon an initial [**REDACTED**] of the Company taking place:

   1. The Company will issue ordinary shares to the non-controlling interest holders (including Swiss Re Principal Investments Company Asia Pte. Ltd, individual shareholders and senior management) of FL and FGL in exchange for their holdings of ordinary shares, preference shares and convertible preference shares (as applicable) in FL and FGL (the "Exchange of Share Capital of FL and FGL"). Immediately after the completion of the Exchange of Share Capital of FL and FGL, FL and FGL will become the wholly-owned subsidiaries of the Company.

   2. FL and FGL will cancel the ordinary shares, preference shares and convertible preference shares acquired by the Company from the non-controlling interest holders.

   When these conditional reorganisation steps are completed they are expected to be accounted for in accordance with the Company's accounting policy noted in Note 2.2(3).

1.3 Basis of presentation

Pursuant to the Reorganisation, the Company carried out the Merger with PCGI Limited and assumed all assets and liabilities of PCGI Limited. Thereafter, the Company became the holding company of FL and FGL. Immediately prior to and after the Reorganisation, all entities comprising the Group are under the common control of the Ultimate Controlling Shareholder. The Reorganisation is merely a reorganisation of the Insurance Business and does not result in any changes in business substance, nor in any management or the ultimate owners of the Insurance Business. Accordingly, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 include the results and cash flows of all entities now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Ultimate Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2019 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Ultimate Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting. For entities acquired from or disposed of to a third party, their financial information is included in or excluded from the consolidated financial statements from the respective dates of the acquisition or disposal. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The accounting policies listed below are in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board, and Interpretations developed by the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared, on a going concern basis, under the historical cost convention, except for investment property, the re-measurement of available-for-sale financial assets, certain financial assets and liabilities designated at fair value through profit or loss and derivative financial instruments, all of which are carried at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell further explained in Note 5.

The accounting policies adopted are consistent throughout the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, except as described as follows.

(a) Mandatory for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022

The following relevant new standards have been adopted for the first time for the reporting periods presented:

i. IFRS 16, Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value.

The Group has lease contracts for various office premises, residential units, car parks, office equipment, IT-related and other assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Furthermore, as permitted by the standard the Group has elected to initially measure the right-of-use asset in relation to each lease at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of initial application. This approach results in no adjustment to the opening balance of retained earnings on 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessment of whether leases are onerous;
- the accounting of operating leases with a remaining lease term of less than 12 months as at 1 January, as short-term leases ("short-term lease"), and lease contracts for which the underlying asset is of low value ("low-value assets");
- the exclusion of the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The lease liabilities as at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of 4.49%, and can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

US$m	
Operating lease commitments disclosed as at 31 December 2018	130
Discounted using the leasee's incremental borrowing rate at the date of initial application	122
(Less): lease-type obligation	(5)
(Less): contracts reassessed as service agreements	(4)
(Less): leases not yet commenced but committed	(4)
(Less): short-term leases recognised on a straight-line basis as expense	–
(Less): others	(1)
Add: adjustments as a result of a different treatment of extension and termination options	3
Add: contracts reassessed as lease agreements	1
Lease liability recognised as at 1 January 2019	**112**

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

ii. Amendments to IFRS 7, IFRS 9 and IAS 39, Interest Rate Benchmark Reform

The Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform – Phase 1 (effective from 1 January 2020) provide a number of reliefs, which apply to all hedging relationships for which hedge accounting is applied and that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Group has adopted the Phase 1 amendments for the year ended 31 December 2020, prior to the replacement of an interbank offered rate (IBOR). These amendments had no material impact on the consolidated financial statements.

The Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform – Phase 2 (effective from 1 January 2021) provide temporary reliefs which address the financial reporting effects when IBOR is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are a direct consequence of the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group has adopted the Phase 2 amendments for the year ended 31 December 2021 and the amendments had no material impact on the consolidated financial statements. Refer to Note 31 for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR and hedge accounting.

iii. Amendment to IFRS 16, Covid-19-Related Rent Concessions

The Amendment to IFRS 16, Covid-19-Related Rent Concessions (effective from 1 June 2020), provides lessees an optional exemption not to assess whether a rent concession that meets certain conditions is a lease modification. Lessees that elect the practical expedient shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient only applies to lessees' rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if all of the following conditions are met:

a. the change in lease payments results in revised consideration for the lessee that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. any reduction in lease payments affects only payments due on or before 30 June 2021; and

c. there is no substantive change to other terms and conditions of the lease.

The Group has early adopted this amendment for the financial period ended 31 December 2020, and applies the practical expedient to all rent concessions that meet the above specified conditions. A forgiveness or a waiver of lease payments is accounted for as a variable lease payment in the period in which the event or condition that triggers those payments occurs, with a corresponding adjustment to the lease liability.

During the year ended 31 December 2020, the amount of the changes in lease payments that arise from rent concessions was insignificant.

In March 2021, the IASB amended IFRS 16 to extend the availability of the practical expedient by one year and issued the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 (the "2021 Amendment"). The practical expedient in the 2021 Amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021, and early adoption is permitted.

The Group has early adopted the 2021 Amendment for the year ended 31 December 2021, and applies the practical expedient to all rent concessions that meet the above specified conditions. During the year ended 31 December 2021, the amount of the changes in lease payments that arise from rent concessions was insignificant.

iv. Other amendments

The following amendments have been adopted by the Group from 1 January 2022 and have no material impact to the Group:

- Amendments to IAS 16, Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3, Reference to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018 – 2020

(b) Temporary exemption from adoption for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022

The following relevant new standards and requirements have been issued but are not effective for the financial period ended 31 March 2022 and have not been early adopted:

i. IFRS 9 Financial Instruments

IFRS 9 Financial Instrument, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit losses model will replace the incurred loss impairment model in IAS 39.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The IASB made further changes to two areas of IFRS 9. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through comprehensive income if the cash flow represents solely payments of principal and interest ("SPPI"). Non-substantial modifications or exchange of financial liabilities that do not result in derecognition will be required to be recognised in profit or loss.

The Group has not yet fully completed its assessment of impact of the standard on its financial position and results of operations.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019. Amendments to IFRS 4 Insurance Contracts allow a temporary exemption option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2023. The Group has elected to apply the temporary exemption option to defer the effective date of IFRS 9 in order to implement the changes in parallel with IFRS 17 Insurance Contracts.

The following disclosures are provided in accordance with the requirements of amendments to IFRS 4 when temporary exemption option is applied.

The Group's financial assets as at 31 December 2019, 2020 and 2021 and 31 March 2022 are separated into the following two groups:

- financial assets with contractual terms that give rise to cash flows that meet SPPI criteria in accordance with IFRS 9 and are not held for trading or managed on a fair value basis, which consist of debt securities and loans and receivables; and

- financial assets other than those specified in (i), which consist of debt securities, equity securities and derivative financial instruments.

The following table shows the fair value and change in fair value of these two groups of financial assets.

	Fair value as at 31 December 2019			**Change in fair value for the year ended 31 December 2019**		
US$m	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**
Debt securities	29,997	949	30,946	1,022	33	1,055
Other financial assets *(Note 1 and 2)*	1,738	4,304	6,042	26	207	233
Total	31,735	5,253	36,988	1,048	240	1,288

	Fair value as at 31 December 2020			**Change in fair value for the year ended 31 December 2020**		
US$m	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**
Debt securities	36,524	1,444	37,968	1,128	53	1,181
Other financial assets *(Note 1 and 2)*	1,792	5,920	7,712	21	274	295
Total	38,316	7,364	45,680	1,149	327	1,476

	Fair value as at 31 December 2021			**Change in fair value for the year ended 31 December 2021**		
US$m	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**
Debt securities	35,795	1,440	37,235	(706)	(7)	(713)
Other financial assets *(Note 1 and 2)*	1,729	8,372	10,101	41	695	736
Total	37,524	9,812	47,336	(665)	688	23

	Fair value as at 31 March 2022			**Change in fair value for the year ended 31 March 2022**		
US$m	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**	**Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis**	**Others**	**Total**
Debt securities	34,546	959	35,505	(1,562)	(3)	(1,565)
Other financial assets *(Note 1 and 2)*	1,774	8,607	10,381	13	213	226
Total	36,320	9,566	45,886	(1,549)	210	(1,339)

Notes:

1 Balance of other financial assets qualifying as SPPI includes loans and deposits.

2 Balance of other financial assets not qualifying as SPPI mainly represents equity securities and derivative financial instruments.

The financial assets presented above that met SPPI criteria and not held for trading or managed on fair value basis are primarily debt securities. Additional information on the credit quality analysis of these debt securities is provided in Note 18.

Financial assets are considered to have low credit risk if:

- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the fair value of financial assets that do not have low credit risk was US$2,257m, US$1,546m, US$1,273m and US$1,607m, respectively.

ii. Amendments to IAS 28: Long-term interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28 Investments in Associates and Joint Ventures. The Group will apply these amendments concurrently with the application of IFRS 9, and expects no significant impact to its consolidated financial statements.

(c) Issued but not yet effective and have not been early adopted for the reporting periods presented

The following relevant new standards and amendments to standards have been issued but are not yet effective and have not been early adopted for the reporting periods presented:

i. IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts, and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's consolidated financial statements.

Under IFRS 17, insurance contracts are measured by the general model which is based on a discounted cash flow model with an explicit risk adjustment, and a contractual service margin that defers unearned profits. The deferred profit is recognised gradually over time when insurance contract services are provided to policyholders. The general model is supplemented by the variable fee approach for contracts that meet certain requirements and provide insurance coverage together with substantial investment-related service, and the premium allocation approach that applies to short-duration contracts. Insurance revenue will no longer be measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. Additionally, IFRS 17 introduces a new presentation format for the statements of comprehensive income and requires more extensive disclosures.

On 25 June 2020, the IASB issued amendments to IFRS 17 and the effective date of IFRS 17 is deferred to annual reporting periods beginning on or after 1 January 2023, with retrospective application and restatement of comparative figures required. If full retrospective application to a group of contracts is impracticable, IFRS 17 requires using either the modified retrospective approach that allows certain specific modifications, or the fair value approach.

In December 2021, the IASB issued Amendment to IFRS 17, Initial Application of IFRS 17 and IFRS 9 – Comparative Information, which is effective when the entity first applies IFRS 17. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before (the "classification overlay").

IFRS 17 will require significant changes to the accounting policies for insurance contract liabilities and enhancements to the IT, finance and actuarial systems of the Group, and a group-wide project is in progress to implement the new standard. The Group is assessing the implications of IFRS 17 and expects that it will have significant impact on the profit or loss, total equity, financial statements presentation and disclosures of the Group.

ii. Other new amendments to standards that have been issued but are not yet effective and have not been early adopted.

- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current (2023)
- Amendments to IAS 1 and IFRS 2 Practice Statement 2, Disclosure of Accounting Policies (2023)
- Amendments to IAS 8, Definition of Accounting Estimates (2023)
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Group has assessed the impact of these new amendments and they are not expected to have a material impact on the financial position or results of operations of the Group.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directly by means of contractual arrangement. The Group has determined that the investment funds that the Group has interest are structured entities.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date at which the Group no longer has control. Intercompany transactions are eliminated.

The Group utilises the acquisition method of accounting to account for the acquisition of subsidiaries, unless the acquisition forms part of the Group reorganisation of entities under common control. Under this method, the cost of an acquisition is measured as the fair value of the considerations transferred, considerations payable, shares issued or liabilities assumed at the date of acquisition. For each acquisition of subsidiary, the Group elects whether to measure the non-controlling interests in the entity at fair value ("fair value approach") or at the proportionate share of the entity's identifiable net assets ("proportionate share approach"). The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (Note 2.9). The Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the subsidiary. Any surplus of the acquirer's interest in subsidiary's net assets over the cost of acquisition is credited to the consolidated income statements. Acquisition-related costs are expensed as incurred.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated financial statements of the Group include the assets, liabilities and results of entities now comprising the Group, using accounts drawn up to the reporting date.

(2) Investment funds

Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. In conducting the assessment, the Group considers substantive contractual rights as well as de facto control. De facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity. If the Group has power to remove or control over the party having the ability to direct the relevant activities of the fund based on the facts and circumstances and that the Group has exposure to variable returns of the investment funds, they are consolidated. Variable returns include both rights to the profits or distributions as well as the obligation to absorb losses of the investees.

(3) Non-controlling interests

Non-controlling interests are presented within equity except when they arise through the minority's interest in puttable liabilities such as the unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity. Acquisitions and disposals of non-controlling interests, except when they arise through the minority's interest in puttable liabilities, are treated as transactions between equity holders. As a result, any difference between the amount by which the carrying amounts of the non-controlling interests are adjusted and the amount of the fair value of consideration received is recognised in the respective components of the equity attributable to the shareholders of the Company.

Perpetual securities issued by subsidiaries and classified as equity instruments are non-controlling interests of the Group, if they are held by investors other than the parent. Profit or loss and each component of OCI are attributable to the parent and other equity holders of the non-controlling interests after adjusting for any cumulative distributions on the perpetual securities, whether or not such distributions have been declared.

(4) Investments in associates and joint ventures

Associates are entities over which the Group has significant influence, but which it does not have control or joint control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in an associate or joint venture, together with the Group's share of that entity's post-acquisition changes to equity, is included as an asset in the consolidated statements of financial position. Cost includes goodwill arising on acquisition. The Group's share of the post-acquisition profits or losses and other comprehensive income is recognised in the consolidated income statements and consolidated statements of comprehensive income, respectively. In addition, when there is a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity.

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated, unless the transaction provides evidence of an impairment of an asset transferred between entities.

When an investment in an associate is a venture capital organisation, a mutual fund, unit trust or similar entity, including unit-linked insurance funds (i.e. an investment entity) and the investment entity associate applies fair value measurement to its subsidiaries, the Group retains the fair value measurement applied by the investment entity associate to its interests in subsidiaries when applying the equity method.

2.3 Insurance and Investment contracts

Consistent accounting policies for the measurement and recognition of insurance and investment contracts have been adopted throughout the Group, except for a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction.

(1) Product classification

The Group classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, *IAS 39 Financial Instrument: Measurement and Recognition*, and, if the contract includes an investment management element, *IFRS 15, Revenue from contracts with customers,* are applied. IFRS 4 permits the continued use of previously applied accounting policies for insurance contracts and investment with DPF, and this basis has been adopted by the Group in accounting for such contracts. Once a contract has been classified as an insurance or investment contract reclassification is not subsequently performed unless the terms of the agreements are later amended.

Certain insurance and investment contracts with DPF supplement the amount of guaranteed benefits due to policyholders. These contracts are distinct from other insurance and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Customers may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the entity, fund or other entity that issues the contract.

The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts. The Group refers to such contracts as participating business. In some jurisdictions, participating business is written in a participant fund which is distinct from the other assets of the Group. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policyholder participation may change over time. The current policy participation in declared dividends for locations with participating funds is set out below:

Country	**Current policyholder participation**
Malaysia	90%
Vietnam	70%/75%

In some jurisdiction participating business is not written in a distinct fund and the Group refers to this as other participating business.

The Group's products may be divided into the following main categories:

Policy type	Description of benefits payable	Basis of accounting for: Insurance contract liabilities	Basis of accounting for: Investment contract liabilities
Traditional participating life assurance with DPF	Participating funds Participating products include protection and savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing and bonus declarations is at the discretion of the insurer. Local regulators generally prescribed a minimum proportion of policyholder participation in declared dividend.	Insurance contracts liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders. For participating products with definite sharing mechanism, insurance contract liabilities make provision for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. Undistributed participating policy earnings account ("UPPEA") is set up retrospectively for undistributed dividends or bonuses. In addition, deferred profit liabilities for limited payment contracts are recognised.	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
	Other participating business Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Insurance contract liabilities reflect the present value of future policy benefits to be paid, the future administration expenses that are directly related to the contract and the mutual financial benefits to be paid from the common fund, less the present value of estimated future gross premiums to be collected from policyholders.	Not applicable

		Basis of accounting for:	
Policy type	**Description of benefits payable**	**Insurance contract liabilities**	**Investment contract liabilities**
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly related to the contract, less the present value of estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are recognised.	Investment contract liabilities without DPF are measured at amortised cost
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded.	Not applicable as such contracts generally contain significant insurance risk
Unit-linked	These may be primarily savings products or may combine savings with an element of protection.	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded.	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

The basis of accounting for life insurance and investment contracts is further discussed below.

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Premiums

For single premium business, premiums are recognised as revenue on the date when the policy becomes effective. Regular premiums from life insurance contracts, including participating policies, universal life, unit-linked contracts and annuity policies with life contingencies, are recognised as revenue when due from the policyholder. Benefits and expenses are provided in respect of such revenue so as to recognise profits over the estimated life of the policies. For limited payment contracts, premiums are recognised in profit or loss when due, with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from contracts with investment features but with insufficient insurance risk, such as certain unit-linked contracts, are accumulated as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration, and surrenders during the period.

Life insurance contract policyholders are charged fees for policy administration services, investment management services and surrenders. The fee income is recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these are deferred and recognised in profit or loss as the service is provided over the term of the contract. Initial and other upfront fees are also deferred and recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

(2) Unearned revenue liability

Unearned revenue liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statements over the estimated life of the business. A separate liability for accumulation value is established.

(3) Deferred profit liability

Deferred profit liability arising from traditional insurance contracts represent excess profits that have been collected and released to the consolidated income statements over the estimated life of the business. A separate liability for future policy benefits is established.

(4) Deferred acquisition costs ("DAC")

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset. DAC are assessed for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. DAC are assessed for recoverability at least annually thereafter in the liability adequacy test together with the provision for life insurance liabilities and Value of Business Acquired ("VOBA"). Future investment income is also taken into account in assessing recoverability. To the extent that acquisition costs are not considered to be recoverable at inception or thereafter, these costs are expensed in the consolidated income statements.

DAC for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing (see below).

DAC for universal life and unit-linked contracts is amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrenders, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly. The interest rate used to compute the present value of revised estimates of expected gross profits is locked-in at policy inception. Deviations of actual results from estimated experience are reflected in earnings.

In a limited number of cases where the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction, acquisition costs deemed recoverable are included as a component of insurance contact liabilities, and are therefore deferred and amortised over the life of the corresponding policies.

(5) Deferred sales inducements

Deferred sales inducements, consisting of day one bonuses, persistency bonuses and enhanced crediting rates are deferred and amortised using the same methodology and assumptions used to amortise deferred acquisition costs when:

- the sales inducements are recognised as part of insurance contract liabilities;
- they are explicitly identified in the contract on inception;
- they are incremental to amounts credited on similar contracts without sales inducements; and
- they are higher than the expected ongoing credit rates for periods after the inducement.

(6) Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

- the deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- the Group's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

(7) Bifurcation

To the extent that certain of the Group's insurance contracts include embedded derivatives that are not clearly and closely related to the host contract, these are bifurcated from the insurance contracts and accounted for as derivatives.

(8) Benefits and claims

Life insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the period, reinsurance recoveries, as well as policyholder dividends accrued in anticipation of dividend declarations.

Accident and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for reinsurance recoveries, and any adjustments to claims outstanding from previous years. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims and policyholder bonuses. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

(9) Life insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

Insurance contract liabilities represent the estimated future policyholder benefit liability for life insurance policies. Future policy benefits for life insurance policies are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders.

For investment linked contracts, contract liabilities are directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value and an unearned revenue liability and sales inducement liability where applicable.

Settlement options are accounted for as an integral component of the underlying insurance or investment contract unless they provide annuitisation benefits, in which case an additional liability is established to the extent that the present value of expected annuitisation payments at the expected annuitisation date exceeds the expected account balance at that date. Where settlement options have been issued with guaranteed rate less than market interest rates, the insurance or investment contract liability does not reflect any provision for subsequent declines in market interest rate unless deficiency is identified through liability adequacy testing.

The Group accounts for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon the Group's rules on profit distribution. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.

(10) Liability adequacy testing

The adequacy of liabilities is assessed by portfolio of contracts, in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

For life insurance contracts, insurance contract liabilities reduced by deferred acquisition costs and value of business acquired on purchased insurance contracts, are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balances of deferred acquisition costs and value of business acquired on purchased insurance contracts are written down to the extent of the deficiency. If, after writing down the unamortised balances for the specific portfolio of contracts to zero, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

2.3.2 Investment contracts without DPF

Investment contracts do not contain sufficient insurance risk to be considered as insurance contracts and are accounted for as a financial liability.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

(1) Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

(2) Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The cost of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

(3) Investment contract liabilities

Deposits collected and benefit payments under investment contracts without DPF are not accounted for through the consolidated income statements, except for the investment income and fees attributed to those contracts, but are accounted for directly through the consolidated statements of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) and an unearned revenue liability and sales inducement liability where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expense in the consolidated income statements.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

(4) Deferred fee income liability

Deferred fee income liability represents upfront fees and other non-level charges that have been collected and released to the consolidated income statements over the estimated life of the business. A separate liability for accumulation value is established.

2.3.3 Insurance and investment contracts

(1) Reinsurance

The Group cedes insurance risk in the normal course of business, with retentions varying by line of business. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statements and consolidated statements of financial position.

Reinsurance assets consist of amounts recoverable from reinsurers and ceded insurance and investment contract liabilities. Ceded insurance and investment contract liabilities are estimated in a manner consistent with the reinsured insurance contract liabilities or benefits paid and in accordance with the relevant reinsurance contract.

To the extent that reinsurance contracts principally transfer financial risk (as opposed to insurance risk) they are accounted for directly through the consolidated statements of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the consolidated income statements. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

The upfront premium rebate received on reinsurance contracts is a reinsurance liability. This liability is initially recognised as a reduction in deferred acquisition and origination costs up to the carrying value of associated deferred acquisition or associated value of business acquired, if any, with any excess being recognised in other liabilities. This reinsurance liability is released in line with the release of the underlying insurance contracts. Change in this reinsurance liability during the period is recognised as insurance and investment contract benefits ceded.

Ceding commissions in relation to the reinsurance contracts are deferred and amortised similarly to deferred acquisition costs, and are recognised in "Deferred ceding commissions".

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(2) Value of business acquired ("VOBA")

VOBA in respect of a portfolio of long-term insurance and investment contracts, through the acquisition of a subsidiary, is recognised as an asset. It represents the difference between the fair value of insurance liabilities and the carrying value. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statements.

(3) Insurance contracts (including investment contracts with DPF) liabilities measured with reference to statutory requirement

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction. The insurance contract liabilities of those countries are predominately measured at the net present value of future receipts from and payments to policyholders. The discount rate applied reflects the current market rate. The excess of premium received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of service provided to the policyholder. The movement in insurance contract liabilities recognised in the profit or loss reflects the planned release of this margin.

(4) Other assessments and levies

The Group is potentially subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included in insurance contract liabilities but are included under "Provisions" in the consolidated statements of financial position.

2.3.4 General Insurance contracts

(1) Premiums

General insurance premiums written are recognised at policy inception and earned on a pro rata basis over the term of the policy related coverage.

(2) Deferred acquisition costs

For general insurance, DAC is amortised on a straight line basis over the life of the contracts and derecognised when the related contracts are settled or disposed of.

(3) Benefits and claims

General insurance claims incurred include all claim losses occurring during the period, whether reported or not, including the related handling costs and other recoveries and any adjustments to claims outstanding from previous years.

(4) General insurance contract liabilities

These liabilities include the provisions for outstanding claims, unearned premiums and unexpired risks. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs, reduced by the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is determined at the end of the reporting period using case estimates, supplemented by a range of standard actuarial claim projection techniques based on empirical data on current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium, which includes premiums received for risks that have not yet expired. The change in the provision for unearned premium is taken to profit or loss such that revenue is recognised over the period of risk. The methods used are as follows:

Marine cargo business	25% method
Non-marine cargo business	365 days method

2.3.5 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated income statements.

Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described in "De-recognition of financial instruments" below, have been met.

2.3.6 Reinsurance contracts issued

Reinsurance contracts are defined as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as a reinsurance contract, it remains a reinsurance contract for the rest of its life time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2.3.7 Life reinsurance contracts

(1) Premiums

Premiums are recognised as income when risk coverage is provided to ceding companies.

(2) Deferred Acquisition Costs

The costs of acquiring new reinsurance contracts, including commissions and distribution costs, underwriting and other expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset and amortised on the straight-line basis over the terms of life reinsurance policies.

(3) Life reinsurance contract liabilities

Reinsurance contract liabilities represent the estimated future benefit liability for the life reinsurance policies. Future benefits are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid to cedants, less the present value of estimated future net premiums to be collected from cedants.

(4) Liability adequacy test

The liability adequacy test compares the carrying value of reinsurance contract liabilities less deferred acquisition costs with the fair value of the liabilities from the reinsurance portfolio recognised. If there is a deficiency, the unamortised balances of deferred acquisition costs are written down to the extent of the deficiency. If, after writing down the unamortised balances of deferred acquisition costs to zero, a deficiency still exists, the liability is increased by the amount of the remaining deficiency.

2.4 Financial Instruments

2.4.1 Classification and designation of financial instruments

(1) Financial assets and liabilities at fair value through profit or loss

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

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

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

- financial assets held to back unit-linked contracts and participating funds;
- other financial assets managed on a fair value basis, consisting of the Group's equity portfolio; and
- compound instruments containing embedded derivatives, where the embedded derivative would otherwise require bifurcation.

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

Dividend income from equity instruments designated at fair value through profit or loss is recognised in investment income in the consolidated income statements, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets designated at fair value through profit or loss, changes in fair value are recognised in investment experience.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

(2) Available for sale financial assets

Financial assets, other than those at fair value through profit or loss, and loans and receivables, are classified as available for sale.

The available for sale category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consists of the Group's debt securities (other than those backing unit-linked contracts) which are neither classified as held for trading nor designated at fair value through profit or loss.

Available for sale financial assets are initially recognised at fair value plus attributable transaction costs. The difference between the initial recognition amount and par value is amortised. Interest income from available for sale debt securities is recognised in investment income in the consolidated income statements using the effective interest method. Available for sale debt securities are subsequently measured at fair value. Changes in the fair value, except for relevant foreign exchange gains and losses and impairment losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity. Foreign currency translation differences on these debt securities are calculated as if they were carried at amortised cost and are recognised in the consolidated income statements as investment experience. Impairment losses are recognised in the consolidated income statements.

(3) Realised gains and losses on financial assets

Realised gains and losses on available for sale debt securities are determined as the difference between the sale proceeds and amortised costs.

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Group commits to purchase or sell the assets.

(4) Derecognition and offset of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the fair value of the asset.

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

(5) 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 initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the consolidated income statements using the effective interest method.

(6) Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 18 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

(7) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities at acquisition of three months or less, which are held for cash management purposes. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions, as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. Cash and cash equivalents are measured at amortised cost using the effective interest method.

Bank deposits which are restricted to use are included in "restricted cash" within "other assets" in the consolidated statements of financial position. Restricted cash are excluded from cash and cash equivalents.

2.4.2 Fair values of non-derivative financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and available for sale securities) are based on quoted market prices at the date of the consolidated statements of financial position. The quoted market price used for financial assets held by the Group is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at each reporting date. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statements of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 20.

2.4.3 Impairment of financial assets

(1) General

Financial assets are assessed for impairment on a regular basis. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that objective evidence of impairment does not exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(2) Available for sale financial instruments

When a decline in the fair value of an available for sale asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss already recognised directly in other comprehensive income is recognised in current period profit or loss.

If the fair value of a debt security classified as available for sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Where, following the recognition of an impairment loss in respect of an available for sale debt security, the asset suffers further falls in value, such further falls are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

(3) Loans and receivables

For loans and receivables, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to profit or loss. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any change in the allowance is recognised as an impairment loss in profit or loss.

2.4.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts, interest rate swaps and bond forwards that derive their value mainly from underlying foreign exchange rates, interest rates and bond prices. All derivatives are initially recognised in the consolidated statements of financial position at their fair value, which represents their cost excluding transaction costs, which are expensed, giving rise to a day one loss. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

(1) Derivative instruments for economic hedges

Whilst the Group enters into derivative transactions to provide economic hedges under the Group's risk management framework, it adopts hedge accounting to these transactions only in limited circumstances. This is either because the transactions would not meet the specific IFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. Where hedge accounting does not apply, these transactions are treated as held for trading and fair value movements are recognised immediately in investment experience.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are classified as current portions and non-current portions only if a reliable allocation can be made.

(2) Derivative instruments for hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

(i) Fair value hedge

Where a derivative financial instrument is designated as a hedge of the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), changes in the fair value of the derivative are recorded in the consolidated income statements within "Finance costs", together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the Group revokes the designation of the hedge relationship, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statements over the residual period to maturity.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated separately in the hedging reserve under equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statements.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statements in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statements (such as when the interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statements in the same period or periods during which the hedged forecast transaction affects the consolidated income statements.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the consolidated income statements.

(3) Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IAS 39.

2.5 Segment reporting

An operating segment is a component of the Group that engages in business activity from which it earns revenues and incurs expenses and, for which, discrete financial information is available, and whose operating results are regularly reviewed by the Group's chief operating decision-maker for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

2.6 Foreign currency translation

(1) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in the United States dollars ("US dollar" or "US$"), which is the functional currency of the Company, unless otherwise stated.

(2) Transactions and balances

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the period as this approximates to the exchange rates prevailing at the transaction date. Their statements of financial position are translated at year or period end exchange rates. Exchange differences arising from the translation of the net investment in foreign operations, are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the consolidated income statements as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statements.

Translation differences on financial assets designated at fair value through profit or loss are included in investment experience. For monetary financial assets classified as available for sale, translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statements. Foreign exchange movements on non-monetary equities that are accounted for as available for sale are included in the fair value reserve.

2.7 Property, plant and equipment and depreciation

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Right-of-use assets in relation to other leased property, plant and equipment are carried at cost less accumulated depreciation. The right-of-use asset in relation to a lease is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Depreciation is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, generally:

Leasehold improvements	Over the lease terms
Furniture and fixtures and others	3 – 5 years
Computer equipment	3 – 5 years

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits will flow to the Group. Repairs and maintenance are charged to the consolidated income statements during the financial period in which they are incurred.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date. An asset is written down to its recoverable amount if the carrying value is greater than the estimated recoverable amount.

Any gain and loss arising on disposal of property, plant and equipment is measured as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statements.

2.8 Investment property

Property held for long-term rental or capital appreciation, or both that is not occupied by the Group is classified as investment property. Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statements.

If an investment property becomes held for own use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use by the Group, these elements are recorded separately within investment property and property, plant and equipment, respectively, where the component used as investment property would be capable of separate sale or lease.

2.9 Goodwill and other intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on the Group's investment in subsidiaries is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

(2) Distribution rights

Distribution rights represent contractual relationships for exclusive access to distribution networks, and are amortised over their remaining contractual lives. The remaining contractual lives of the distribution rights are determined as the actual contractual periods of the corresponding agreements, which were between 15 to 20 years at their inception.

Costs associated with acquiring rights to access distribution networks are amortised on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. These amortisation charges are subsequently recorded and amortised as DAC.

(3) Other intangible assets

Other intangible assets consist primarily of computer software, and are amortised over their estimated useful lives.

Purchased computer software licenses are capitalised on the basis of the costs incurred to purchase and bring to use the specific software. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Costs of purchasing computer software licenses and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. Useful lives of computer software licenses are determined based on various factors, including but not limited to the expected usage of the software, typical life cycles, types of obsolescence and period of license (if applicable). The amortisation charge for the period is included in the consolidated income statements under "General expenses".

2.10 Impairment of non-financial assets

Property, plant and equipment, and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying values of goodwill and intangible assets with indefinite useful lives are reviewed at least annually or when circumstances or events indicate that there may be uncertainty over this value.

For the purposes of assessing impairment, assets are allocated to each of the Group's cash-generating units, or group of cash-generating units, the lowest level for which there are separately identifiable cash flows.

An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell 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.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there have been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

2.11 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale. Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

2.12 Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative transactions and reinsurance arrangements, in order to reduce the credit risk of these transactions. The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the consolidated statements of financial position with a corresponding liability for the repayment. Non-cash collateral received is not recognised on the consolidated statements of financial position unless the Group sells these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability. To further minimise credit risk, the financial condition of counterparties is monitored on a regular basis.

Collateral pledged in the form of cash which is legally segregated from the Group is derecognised from the consolidated statements of financial position and a corresponding receivable established for its return. Non-cash collateral pledged is not derecognised (except in the event of default) and therefore continues to be recognised in the consolidated statements of financial position within the appropriate financial instrument classification.

2.13 Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method. All borrowing costs are expensed as they are incurred, except for borrowing costs directly attributable to the development of investment properties and other qualifying assets, which are capitalised as part of the cost of the asset.

2.14 Income taxes

Income tax comprises current and deferred tax. The current tax expense is based on the taxable profits for the period, including any adjustments in respect of prior years. Tax is allocated to profit or loss before taxation and amounts charged or credited to equity as appropriate.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except as described below.

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts, value of business acquired and deferred acquisition costs. The rates enacted or substantively enacted at the date of the consolidated statements of financial position are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In countries where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is evidence that future profits will be available.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value remeasurement of available for sale investments and other amounts taken directly to equity, is recognised initially within the applicable component of equity. It is subsequently recognised in the consolidated income statements, together with the gain or loss arising on the underlying item.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In addition to paying tax on shareholders' profits, certain of the Group's life insurance businesses pay tax on policyholders' investment returns (policyholder tax) at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense and disclosed separately.

2.15 Revenue

(1) Investment return

Investment income consists of dividends, interest and rents receivable for the reporting period. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Dividend income is recognised on the date the shares become quoted ex-dividend. Rental income on investment property is recognised on an accrual basis. Investment return consists of investment income and investment experience.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the period end and the carrying value at the previous year end or purchase price if purchased during the period, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the period.

(2) Other fee and commission income

Other fee and commission income consist primarily of fund management fees, income from any incidental non-insurance activities, distribution fees from mutual funds and commissions on reinsurance ceded.

Income is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. In case of variable consideration contracts, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty is subsequently resolved.

2.16 Employee benefits

(1) Annual leave

The Group provides annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of a reporting period is permitted to be carried forward and utilised by the respective employees in the following year. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(2) Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates).

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statements so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statements of financial position.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in "Employee benefits expenses" in the consolidated income statements.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in consolidated income statements when the plan amendment or curtailment occurs.

For defined contribution retirement benefits schemes, the Group pays contributions to independently administered funds. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group's contributions are charged to the consolidated income statements in the reporting period to which they relate and are included in "Employee benefits expenses". When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group's obligations under defined benefits plans and defined contribution plans are included in "Provisions" of the consolidated statement of financial position.

(3) Long service payments

Certain employees of the Group are eligible for long service payments in the event of the termination of their employment according to certain local Employment Ordinances. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in those Employment Ordinances.

(4) Share-based compensation

The Group launched a share-based compensation plan, under which the Group awards restricted shares units ("RSU") and/or share options of the Group to eligible persons as part of compensation for services provided in achieving shareholder value targets. This share-based compensation plan is known as the FWD Share Option and RSU Plan.

The Group's share-based compensation plan is equity-settled plan. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of RSU and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the RSU and/or share options awarded on respective grant date. Non-market vesting conditions are included in assumptions about the number of RSU and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of RSU and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of the awards using appraisal value method (Embedded Value plus a multiple of Value of new business) for the RSU and Black-Scholes model for the share options.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(5) Termination benefits

Termination benefits are payable and recognised at the earlier of: (a) when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.17 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. Provisions comprise of provisions in respect of regulatory matters, litigation, reorganisation and restructuring.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

2.18 Lease

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Assets subject to such leases are included in investment property. Rentals from such leases are credited to the consolidated income statements on a straight-line basis over the period of the relevant lease.

Group as a lessee

The Group leases various premises, car parks, equipment and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment while lease liabilities are presented as a component of other liabilities (see Notes 14 and 28). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in Note 8.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Group. Furthermore, a maturity analysis of the Group's lease liabilities is disclosed in Note 31.

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

- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US$5,000. Expenses relating to short-term leases are disclosed in Note 8.

2.19 Share capital

Ordinary shares, preference shares and convertible preference shares are classified in equity when there is no contractual obligation to transfer cash or other assets or to deliver a variable number of the Group's own equity instruments to the holders.

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

Dividends are recognised when they have been approved by shareholders.

2.20 Presentation of the consolidated statements of financial position

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its statements of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its intangible assets, investments in associates and joint ventures, property, plant and equipment, investment property and deferred acquisition and origination costs as non-current assets as these are held for the longer-term use of the Group.

2.21 Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements where the Group does not have contractual rights to the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

2.22 Consolidated statements of cash flow

The consolidated statements of cash flow present movements in cash and cash equivalents and bank overdrafts as shown in the consolidated statements of financial position.

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. Purchases and sales of investment property are included within cash flows from investing activities.

2.23 Related parties

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

2.24 Earnings/loss per share

Basic earnings/loss per share is calculated by dividing net profit/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period as adjusted for the effect of capitalisation issue or bonus issue. For the calculation of diluted earnings/loss per share, net profit/loss attributable to ordinary shareholders of the Company for basic earnings/loss per share is adjusted by the effect of dilutive securities issued by subsidiaries, to assume conversion of all dilutive potential ordinary shares. Dilutive effects of share-based awards issued by subsidiaries are adjusted under treasury stock method. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease basic earnings per share or increase basic loss per share.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Key judgments, estimates and assumptions are described below.

3.1 Product classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Group exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Group to pay significant additional benefits to its customers. In the event the Group has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs. The accounting policy on product classification is described in Note 2.3.

3.2 Life insurance contracts (including liabilities in respect of investments contracts with DPF)

The Group calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception adjusted for a provision for the risk of adverse deviation for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business), surrenders and expenses set at the policy inception date. These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by geographical market, year of issuance and product. Mortality, surrender and expense assumptions are based on actual experience by each geographical market, modified to allow for variations in policy form. The Group exercises significant judgement in making appropriate assumptions.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities represent the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges. Significant judgement is exercised in making appropriate estimates of gross profits which are based on historical and anticipated future experiences, these estimates are regularly reviewed by the Group.

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction. The insurance contract liabilities of those countries are predominately measured at the net present value of future receipts from and payments to policyholders. The discount rate applied reflects the current market rate. Significant judgment is exercised in making appropriate assumptions of the cash flows.

The judgments exercised in the valuation of insurance contract liabilities affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policies, key risks and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in Notes 2.3, 23 and 25.

3.3 General insurance contract liabilities

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period. It can take a significant period of time before the ultimate claims cost can be established with certainty and, for some types of policies, IBNR claims form the majority of the claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims is the use of past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Similar judgments are made in assessing the adequacy of the unearned premium provision, whereby assessments are made of the expected future claim costs arising from the unexpired portion of contracts in force at the end of the reporting period.

Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of general insurance contract liabilities are provided in Notes 2.3, 23 and 25.

3.4 Deferred acquisition costs

The judgments exercised in the deferral and amortisation of acquisition costs affect amounts recognised in the consolidated financial statements as deferred acquisition costs and insurance contract benefits.

As described in Note 2.3, deferred acquisition costs for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are applied consistently throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

As described in Note 2.3, deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits to be realised over the life of the contract. Significant judgment is exercised in making appropriate estimates of gross profits. The expensing of acquisition costs is accelerated following adverse investment performance. Likewise, in periods of favourable investment performance, previously expensed acquisition costs are reversed (but not in excess of the amount initially deferred).

Additional details of deferred acquisition costs are provided in Notes 2.3 and 17.

3.5 Liability adequacy testing

The Group evaluates the adequacy of its insurance and investment contract liabilities at least annually. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed on a portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

The judgments exercised in liability adequacy testing affect amounts recognised in the consolidated financial statements such as commission and other acquisition expenses, deferred acquisition costs, insurance contract benefits and investment contract liabilities.

3.6 Value of business acquired

The judgments exercised in the valuation and amortisation of the fair value of insurance contracts of the acquired company in business combinations that affect amounts recognised in the consolidated financial statements as value of business acquired.

As described in Note 2.3, value of business acquired is an asset that reflects the present value of estimated net cash flows before tax embedded in the insurance contracts of an acquired company which existed at the time of business combination. It represents the difference between the fair value of insurance liabilities and the carrying value. In all cases, the VOBA is amortised over the estimated life of contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statements.

Additional details of value of business acquired are provided in Notes 2.3 and 17.

3.7 Fair value of financial assets

The Group determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial assets generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Changes in the fair value of financial assets held by the Group's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the consolidated statements of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the consolidated income statements.

Changes in the fair value of financial assets held to back the Group's unit-linked contracts result in a corresponding change in insurance and investment contract liabilities. Both of the foregoing changes are also reflected in the consolidated income statements.

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in Notes 20 and 31.

3.8 Fair value of investment property

The Group uses independent professional valuers to determine the fair value of investment property on the basis of the highest and best use of the investment property that is physically possible, legally permissible and financially feasible. In most cases, current use of the investment property is considered to be the highest and best use for determining the fair value. The discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the investment property.

Further details of the fair value of investment property are provided in Notes 15 and 20.

3.9 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions. Further details of the impairment of goodwill and other intangible assets during the period are provided in Note 12.

3.10 Share based compensation

The Group launched a share-based compensation plan, under which the Group offers RSU and/or share options of the Group to certain key employees.

(1) RSU

The Group utilises an appraisal value method (Embedded Value ("EV") plus a multiple of Value of new business ("VNB") to estimate the fair value of the RSU, taking into account the terms and conditions upon which the awards were granted. The Group determines appraisal value on the following basis:

- For life insurance businesses, the appraisal value equals EV plus a multiplier of VNB for the calendar year at the end of each performance period. The multiplier was agreed with the shareholders for the purpose of assessing the performance conditions.

- For non-life businesses, the appraisal value is calculated as the net asset value plus a multiplier of the net profits for the calendar year at the end of each performance period.

- For non-operating entities, the appraisal value is equal to the net asset value for the calendar year at the end of each performance period.

In assessing the achievement of performance conditions, the Group takes into account all monthly cash flow items during the performance period, the appraisal value and business and strategic performance determined in accordance with the guidelines approved by the Compensation Committee.

The judgments exercised in the determination of appraisal value and the assessment of achievement of performance conditions affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 33.

(2) Share Options

The Group estimates the fair value of share options using the Black-Scholes model taking into account the terms and conditions upon which the awards were granted. The Group determines the fair value of share options by using the following input:

- Dividend yield

- Expected share price volatility

- Risk-free interest rate

- Expected life of the share options

- Appraisal value per share, using the same valuation methodology as is used in the RSU plan

The assessment of achievement of performance conditions of share options is the same as described above for RSU.

The judgments exercised in the determination of share-option fair value and the assessment of achievement of performance condition affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 33.

3.11 Income taxes

Significant management judgment on the future tax treatment of certain transactions is required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

3.12 Valuation of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies. Further details are contained in Note 9 to the consolidated financial statements.

4. EXCHANGE RATES

The Group's principal operations during the reporting years/periods were located within the Asia-Pacific region. The results and cash flows of these operations have been translated into US Dollars at the following average rates:

	US dollar exchange rate				
	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
				(Unaudited)	
Hong Kong	7.84	7.76	7.77	7.76	7.81
Japan	109.01	106.75	109.80	105.95	116.20
Thailand	31.05	31.30	31.98	30.27	33.04

Assets and liabilities have been translated into US Dollars at the following year/period end rates:

	US dollar exchange rate			
	As at 31 December			As at 31 March
	2019	2020	2021	2022
Hong Kong	7.79	7.75	7.80	7.83
Japan	108.55	103.11	115.15	121.62
Thailand	29.74	29.95	33.26	33.29

Exchange rates are expressed in units of local currency per US$1.

5. CHANGES IN GROUP COMPOSITION

This Note provides details of the major acquisitions of subsidiaries that the Group has made and held for sale for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022.

5.1 Acquisitions

(a) FWD Takaful Berhad

On 22 March 2019, the Group acquired a 49% interest in HSBC Amanah Takaful (Malaysia) Berhad, a family takaful operator offering Takaful insurance products in Malaysia, which was subsequently renamed as FWD Takaful Berhad ("FWD Malaysia"). The Group became the largest shareholder of FWD Malaysia and obtained majority representation on the board which allows it to control FWD Malaysia. The acquisition represents a strategic milestone in expanding the Group's insurance business in Malaysia. The consideration with respect to this acquisition was Malaysian Ringgit ("RM") 82m or US$20m at the exchange rate on the date of the acquisition.

The Group incurred US$2m of acquisition-related costs which were recognised as "other expense" in the Group's consolidated income statements.

Details of the fair value of the assets and liabilities acquired and the goodwill arising from the acquisition of FWD Malaysia are set out as follows:

US$m	*Notes*	**Fair values as at the date of acquisition**
Financial investments	*18,20*	
Available for sale debt securities		150
At fair value through profit or loss		153
Reinsurance assets	*16*	11
Other assets	*21*	12
Value of business acquired ("VOBA")	*17*	10
Cash and cash equivalents	*22*	15
Insurance contract liabilities	*23*	(299)
Other liabilities	*28*	(12)
Deferred tax liabilities	*9*	(3)
Net identifiable assets acquired		**37**
Non-controlling interest measured with proportionate share approach		(17)
Total considerations		20
Less:		
Cash and cash equivalents held in acquired subsidiaries		(15)
Net change in cash and cash equivalents		**5**

Impact of acquisition on the results of the Group

FWD Malaysia contributed revenues of US$33m and a loss before tax of US$6m to the Group's consolidated income statements for the period from the acquisition date to 31 December 2019. If the acquisition had occurred on 1 January 2019, the Group's consolidated pro-forma revenue and loss before tax for the year ended 31 December 2019 would have been US$6,247m and US$339m, respectively. This financial information is prepared in accordance with the accounting policies of FWD Malaysia.

(b) SCB Life Assurance Public Company Limited

On 26 September 2019, the Group acquired 99.2% of the share capital of SCB Life Assurance Public Company Limited ("SCB Life") from Siam Commercial Bank Public Company Limited ("SCB"), obtaining control of its majority voting rights (the "SCB Life Acquisition"). Concurrently, SCB Life and SCB entered into a distribution agreement ("SCB Distribution Agreement") to establish a long-term life bancassurance partnership in Thailand. The acquisition and bancassurance partnership presents the Group with extensive customer reach and distribution capabilities in Thailand. The SCB Distribution Agreement is recognised as "Intangible Assets" in the Group's consolidated statements of financial position.

Total consideration was Thai Baht ("THB") 94,006m or US$3,072m at the exchange rate on the date of acquisition, that has been allocated to the SCB Life Acquisition of THB73,711m or US$2,409m and the SCB Distribution Agreement of THB37,927m or US$1,239m, which included a deferred payment of THB17,632m or US$576m.

The Group incurred US$5m of acquisition-related costs which were recognised as "other expense" in the Group's consolidated income statements.

Details of the fair value of the assets and liabilities acquired and the goodwill arising from the acquisition of SCB Life, and SCB Distribution Agreement are set out as follows:

US$m	*Notes*	Fair values as at the date of acquisition
Intangible assets	*12*	19
SCB Distribution Agreement	*12*	1,239
Property, plant and equipment	*14*	22
Reinsurance assets	*16*	7
Value of business acquired ("VOBA")	*17*	151
Financial investments	*18,19,20*	
Loans and deposits		681
Available-for-sale debt securities		10,895
Equity securities at fair value through profit or loss		417
Derivative financial instruments		169
Investment and other receivables	*21*	39
Other assets	*21*	148
Cash and cash equivalents	*22*	86
Insurance contract liabilities	*23*	(10,270)
Deferred tax liabilities	*9*	(145)
Other liabilities	*28*	(276)
Distribution agreement payable	*28*	(576)
Provisions		(10)
Net identifiable assets acquired		**2,596**
Non-controlling interest measured with proportionate share approach[1]		(21)
Goodwill arising on acquisition	*12*	497
Total considerations		**3,072**
Less:		
Cash and cash equivalents held in acquired subsidiaries		(86)
Net change in cash and cash equivalents		**2,986**

Note:

1 Non-controlling interest includes the proportionate share of the fair values of net identifiable assets acquired and the fair value of the SCB Distribution Agreement.

Goodwill

The goodwill recognised is mainly attributable to the distribution strengths and synergies and other benefits from combining SCB Life and the Group's operations in Thailand. It will not be deductible for income tax purposes.

Impact of acquisition on the results of the Group

SCB Life contributed revenues of US$357m and a loss before tax of US$29m to the Group for the period from the acquisition date to 31 December 2019. If the SCB Life Acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and loss before tax for the year ended 31 December 2019 would have been US$7,710m and US$241m, respectively. This financial information is prepared in accordance with the accounting policies of SCB Life.

On 1 October 2020, SCB Life and FWD Life Insurance Public Company Limited amalgamated. The amalgamated company is named FWD Life Insurance Public Company Limited.

(c) FWD Assurance VietNam Company Limited

On 8 April 2020, the Group acquired 100% of the share capital of Vietcombank-Cardif Life Insurance Limited Company ("VCLI"), a life insurance joint venture from Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank") and BNP Paribas Cardif in Vietnam (the "VCLI Acquisition"). On 13 April 2020, FWD Vietnam Life Insurance Company Limited and Vietcombank launched a long-term bancassurance partnership in Vietnam pursuant to a distribution agreement (the "Vietcombank Distribution Agreement"). The Vietcombank Distribution Agreement is recognised as an "Intangible Asset" in the Group's consolidated statements of financial position. Subsequently, VCLI was renamed as FWD Assurance VietNam Company Limited.

Total consideration of Vietnamese Dong ("VND") 9,759,017m or US$414m, at the exchange rate on the date of the transaction, has been allocated to the VCLI Acquisition of VND940,840m or US$40m and to the Vietcombank Distribution Agreement of VND10,218,960m or US$434m, which also included a deferred payment of VND1,400,783m or US$60m.

The Group incurred US$1m of acquisition-related costs which were recognised as "other expense" in the Group's consolidated income statements.

Details of the fair values of the assets and liabilities acquired and the goodwill arising from the acquisition of VCLI and Vietcombank Distribution Agreement are set out as follows:

US$m	*Notes*	Fair values as at the date of acquisition
Value of business acquired	*17*	3
Financial investments – Loans and deposits	*18*	64
Other assets	*21*	8
Cash and cash equivalents	*22*	1
Insurance contract liabilities	*23*	(40)
Deferred tax liabilities	*9*	(1)
Other liabilities	*28*	(4)
Net identifiable assets acquired		**31**
Goodwill arising on acquisition	*12*	9
Fair value of consideration for acquisition		**40**
Vietcombank Distribution Agreement	*12*	434
Distribution agreement payable		(60)
Total considerations		**414**
Less:		
Cash and cash equivalents held in acquired subsidiaries		(1)
Net change in cash and cash equivalents		**413**

Impact of acquisition on the results of the Group

VCLI contributed revenues of US$21m and a profit before tax of US$4m to the Group for the period from the acquisition date to 31 December 2020. If the VCLI Acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss before tax for the year ended 31 December 2020 would have been US$9,493m and US$219m, respectively. This financial information is prepared in accordance with the accounting policies of VCLI.

(d) PT FWD Insurance Indonesia

On 4 June 2020, the Group acquired 100% of the share capital of PT Commonwealth Life and its subsidiary in Indonesia (collectively referred to as "PTCL") from Commwealth International Holdings Pty Limited, CMG Asia Life Holdings Limited, PT Gala Arta Jaya and PT Bank Commonwealth ("PTBC") (the "PTCL Acquisition"). Concurrently, PT Commonwealth Life entered into a 15-year life insurance distribution partnership with PTBC (the "PTCL Distribution Agreement"), which was subsequently extended by mutual agreement to a 20-year term, to establish extensive customer reach and distribution capabilities in Indonesia. The PTCL Distribution Agreement is recognised as an "Intangible Asset" in the Group's consolidated statements of financial position. Subsequently, PTCL was renamed as PT FWD Insurance Indonesia and PT FWD Asset Management.

Total consideration of IDR5,982,503m or US$424m, at the exchange rate on the date of the transaction, has been allocated to the PTCL Acquisition of IDR4,992,503m or US$354m and the PTCL Distribution Agreement of IDR990,000m or US$70m.

The Group incurred US$8m of acquisition-related costs which were recognised as "other expenses" in the Group's consolidated income statements.

Details of the fair values of the assets and liabilities acquired and the goodwill arising from the acquisition of PTCL are set out as follows:

US$m	*Notes*	**Fair values as at the date of acquisition**
PTCL Distribution Agreement	*12*	*70*
Property, plant and equipment	*14*	2
Reinsurance assets	*16*	2
Value of business acquired ("VOBA")	*17*	70
Financial investments	*18,19,20*	
Loans and deposits		33
Available-for-sale debt securities		157
At fair value through profit or loss		221
Other assets	*21*	18
Cash and cash equivalents	*22*	77
Insurance contract liabilities	*23*	(336)
Deferred tax liabilities	*9*	(12)
Other liabilities	*28*	(23)
Provisions		(4)
Net identifiable assets acquired		**275**
Goodwill arising on acquisition	*12*	149
Total considerations		**424**
Less:		
Cash and cash equivalents held in acquired subsidiaries		(77)
Net change in cash and cash equivalents		**347**

Goodwill

The goodwill recognised is mainly attributable to the synergies and other benefits from combining PTCL and the Group's operations in Indonesia. It will not be deductible for income tax purposes.

Impact of acquisition on the results of the Group

PTCL contributed revenues of US$142m and a loss before tax of US$7m to the Group for the period from the acquisition date to 31 December 2020. If the PTCL Acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss before tax for the year ended 31 December 2020 would have been US$9,527m and US$217m, respectively. This financial information is prepared in accordance with the accounting policies of PTCL.

On 30 November 2020, PTCL and PT FWD Life Indonesia merged. The merged company is named PT FWD Insurance Indonesia.

(e) FWD Life (Hong Kong) Limited and FWD Life Assurance Company (Hong Kong) Limited

On 30 June 2020, the Group acquired 100% of the share capital of (i) MetLife Limited from MetLife Worldwide Holdings, LLC and (ii) Metropolitan Life Insurance Company of Hong Kong Limited from MetLife International Holdings, LLC and Natiloportem Holdings LLC. MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited are collectively referred to as "MetLife". The consideration with respect to this acquisition was US$344m. Subsequently, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited were renamed as FWD Life (Hong Kong) Limited and FWD Life Assurance Company (Hong Kong) Limited, respectively.

The Group incurred US$1m of acquisition-related costs which were recognised as "other expense" in the Group's consolidated income statements.

Details of the fair values of the assets and liabilities acquired and the goodwill arising from the acquisition of MetLife are set out as follows:

US$m	*Notes*	**Fair values as at the date of acquisition**
Intangible assets	*12*	4
Property, plant and equipment	*14*	10
Reinsurance assets	*16*	8
Value of business acquired ("VOBA")	*17*	56
Financial investments	*18,19,20*	
Loans and deposits		9
Available-for-sale debt securities		2,292
At fair value through profit or loss		111
Other assets	*21*	62
Cash and cash equivalents	*22*	196
Insurance contract liabilities	*23*	(2,245)
Deferred tax liabilities	*9*	(6)
Other liabilities	*28*	(158)
Provisions		(8)
Net identifiable assets acquired		**331**
Goodwill arising on acquisition	*12*	13
Total considerations		**344**
Less:		
Cash and cash equivalents held in acquired subsidiaries		(196)
Net change in cash and cash equivalents		**148**

Goodwill

The goodwill recognised is mainly attributable to the synergies and other benefits from combining MetLife and the Group's operations in Hong Kong. It will not be deductible for income tax purposes.

Impact of acquisition on the results of the Group

MetLife contributed revenues and a profit before tax of US$233m and US$71m to the Group for the period from the acquisition date to 31 December 2020. If the Metlife Acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss before tax for the year ended 31 December 2020 would have been US$9,554m and US$202m, respectively. This financial information is prepared in accordance with the accounting policies of MetLife.

(f) FWD Life Insurance (Cambodia) Plc.

On 9 December 2020, the Group acquired 100% of the share capital of Bangkok Life Assurance (Cambodia) Plc. from Bangkok Life Assurance Public Company Limited, PT Asuransi Central Asia of Indonesia, Bangkok Insurance Public Company Limited and Asia Insurance Company Limited at a consideration of US$4m. Cash and cash equivalents acquired were US$2m. Subsequently, Bangkok Life Assurance (Cambodia) Plc. was renamed as FWD Life Insurance (Cambodia) Plc.

5.2 Discontinued operations

(a) The Pension Business

On 3 August 2016, the Group signed an Agreement with Sun Life Hong Kong Limited ("Sun Life") and announced the disposal of FWD's Mandatory Provident Fund ("MPF") and Occupational Retirement Schemes ("ORSO") business, including the disposal of the pension trustee entity, FWD Pension Trust Limited (collectively referred to as "the Pension Business"). The Group and Sun Life also entered into a 15-year strategic distribution agreement commenced on 3 October 2017, which allows FWD's tied agency to distribute Sun Life's MPF and ORSO products in the Hong Kong market. On 3 October 2017, the Group disposed of its 100% interest in FWD Pension Trust Limited and the MPF business (excluding policies relating to products classified as Class G of Long Term Business under the Hong Kong Insurance Ordinance ("Class G Policies")), for a total consideration of US$38m. The required legal and regulatory approvals, consents and orders for the transfer of assets of the ORSO business and Class G Policies were obtained and the transfer was completed on 1 February 2021 with a net consideration of US$10m. The gain on disposal of US$10m is recognised in the Group's consolidated income statements.

The operating results of the remaining Pension Business are presented below:

US$m	Year ended 31 December 2019	Year ended 31 December 2020	From 1 January to 1 February 2021
Profit for the year/period – fees and commission income	2	2	–

The major classes of assets and liabilities of the Pension Business are as follows:

US$m	As at 31 December 2019	As at 31 December 2020	As at 1 February 2021
Total Assets[1]	359	375	376
Total Liabilities[2]	359	375	376
Net Assets	–	–	–

Notes:

1 Mainly consist of Financial assets at fair value through profit or loss

2 Mainly consist of Investment contract liabilities

There were no net cash flows from the Pension Business during year ended 31 December 2019, 2020 and the period from 1 January to 1 February 2021.

(b) General insurance business

In March 2020, management committed to a plan to sell certain subsidiaries of the Group's general insurance business ("GI Disposal Group") and accordingly these subsidiaries were classified as a disposal group held for sale and as discontinued operations.

On 8 December 2020, the Group sold a subsidiary of the GI Disposal Group to a related party for a total consideration of US$77m. The gain on the disposal recognised in the Group's consolidated income statement was US$17m. On 3 February 2021, the Group sold the remaining subsidiaries of the GI Disposal Group to a related party for a total consideration of US$32m, which included US$14m for settlement of the Group's loans to the GI Disposal Group. The gain on the disposal recognised in the Group's consolidated income statement was US$11m. On 8 February 2021, the Group received US$30m from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2018 and 2019 and recognised in the Group's consolidated income statement for the year ended 31 December 2021, and US$14m to settle the Group's receivable for payments made on behalf of the GI Disposal Group in 2020.

The operating results and cash flow information of these subsidiaries are as follows:

US$m	**Year ended 31 December 2019**	**Disposed GI subsidiary For the period from 1 January to 8 December 2020**	**Remaining GI Disposal Group Year ended 31 December 2020**	**For the period from 1 January to 3 February 2021**
Net premiums and fee income	33	28	–	–
Investment return	3	1	–	–
Other operating revenue	12	–	2	–
Total revenue	48	29	2	–
Net insurance and investment contract benefits	(18)	(12)	–	–
Commission and commission-related expenses	(15)	–	(1)	–
Other operating expenses	(32)	(8)	(7)	(1)
Total expenses	(65)	(20)	(8)	(1)
Profit/(loss) before tax	**(17)**	**9**	**(6)**	**(1)**
Tax expense	(1)	(2)	–	–
Profit/(loss) for the year/period	**(18)**	**7**	**(6)**	**(1)**
Net cash inflow/(outflow) from operating activities	3	6	(7)	(1)
Net cash inflow/(outflow) from investing activities	(12)	5	(4)	(1)
Net cash inflow from financing activities	12	–	14	1
Net increase/(decrease) in cash generated by the subsidiaries	**3**	**11**	**3**	**(1)**

The major classes of assets and liabilities of these subsidiaries are as follows:

US$m	Disposed GI subsidiary As at 8 December 2020	Remaining GI Disposal Group Year ended 31 December 2020	As at 3 February 2021
Assets			
Reinsurance assets	24	–	–
Deferred acquisition costs	5	–	–
Available for sale financial assets	112	–	–
Other assets	17	15	14
Cash and cash equivalents	18	10	9
Total Assets	176	25	23
Liabilities			
Insurance contract liabilities	(81)	–	–
Current tax liabilities	(3)	–	–
Other liabilities	(26)	(3)	(17)
Total Liabilities	**(110)**	**(3)**	**(17)**
Net assets	**66**	**22**	**6**
Amounts included in accumulated other comprehensive income:			
Fair value reserve	(6)	–	–
Foreign currency translation reserve	–	1	1

An analysis of the net inflow of cash and cash equivalents in respect of the disposed GI subsidiary is as follows:

US$m	Disposed GI subsidiary As at 8 December 2020	As at 3 February 2021
Cash consideration	77	32
Settlement of the Group's loans to the GI Disposal Group	–	(14)
Cash and cash equivalents disposed of	(18)	(9)
Net cash inflows in respect of the disposed GI Subsidiary	59	9

5.3 Disposal group classified as held for sale

FWD Assurance VietNam Company Limited

On 18 June 2021, the Group entered into a framework agreement, pursuant to which the Group agreed to sell 100% of the share capital of FWD Assurance VietNam Company Limited to third parties, subject to the terms set out in the agreement and execution of a Share Purchase Agreement. On 13 October 2021, the Share Purchase Agreement was executed, and the disposal was subject to regulatory approvals.

The required regulatory approvals were obtained and the sale was completed on 21 March 2022 for a total consideration of US$40m. The gain on disposal of US$2m is recognised in the Group's consolidated income statements.

The major classes of assets and liabilities are as follows:

US$m	As at 31 December 2021	As at 21 March 2022
Assets		
Deferred acquisition costs	2	2
Loans and deposits	75	79
Available for sale financial assets	23	22
Other assets	5	4
Cash and cash equivalents	2	2
Total Assets	**107**	**109**
Liabilities		
Insurance contract liabilities	(63)	(65)
Deferred tax liabilities	(2)	(1)
Other liabilities	(2)	(2)
Total Liabilities	**(67)**	**(68)**
Net assets	**40**	**41**
Amounts included in accumulated other comprehensive income:		
Fair value reserve	(2)	(2)
Foreign currency translation reserve	(1)	(1)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

US$m	As at 21 March 2022
Cash consideration	40
Cash and cash equivalents disposed of	(2)
Net cash inflows in respect of the disposal	38

6. SEGMENT INFORMATION

The Group's operating segments represent those of FL, FGL and their subsidiaries, associates and joint ventures for all years/periods presented, and the Company for the year ended 31 December 2021 and three months ended 31 March 2022 (collectively referred to as the "Operating Group"). The operating segments, based on the reports received by the Operating Group's Executive Committee preceding the Merger, are each of the geographical markets in which the Operating Group operates.

Each of the reportable segments, other than the "Corporate and Others" segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial service products. Certain businesses also write general insurance business ("Non-core business"). The reportable segments are Hong Kong (including Macau), Thailand (including Cambodia), Japan, Emerging Markets and Corporate and Others. Emerging Markets includes the Operating Group's insurance operations in Indonesia, Malaysia, the Philippines, Singapore and Vietnam. The activities of the Corporate and Others segment consist of the Operating Group's corporate functions, shared services and eliminations of intragroup transactions.

The acquired subsidiaries and their respective operations in 2019, SCB Life and FWD Malaysia, are included in Thailand and Emerging Markets, respectively. The acquired subsidiaries and their respective operations in 2020 are Metlife which is included in the Hong Kong, and PTCL and VCLI which are included in Emerging Markets.

As each reportable segment other than the Corporate and Others segment focuses on serving the life insurance needs of its local market, there are limited transactions between reportable segments. The key performance indicators reported in respect of each segment are:

- Total weighted premium income attributable to equity holders of FL and FGL ("TWPI") (Note 6.4);
- investment return (Note 6.1)
- operating expenses (Note 6.1);
- adjusted operating profit before tax attributable to equity holders of FL and FGL (Note 6.2);
- adjusted operating profit after tax attributable to equity holders of FL and FGL (Note 6.2); and
- expense ratio, measured as operating expenses attributable to equity holders of FL and FGL divided by TWPI (Note 6.1);

The segment information has been prepared by (i) combining the carrying amounts of consolidated assets, liabilities, equities, income and expenses of the Operating Group and (ii) eliminating the inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Operating Group. A reconciliation of adjusted operating profit after tax to loss from continuing operations after tax has been included in Notes 6.2 and 6.3.

The shareholders' allocated segment equity represents the segment assets less segment liabilities in respect of each reportable segment less perpetual securities, fair value reserve and non-controlling interests of FL and FGL.

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Corporate and Others segment and capital inflows consist of capital injections into reportable segments by the Corporate and Others segment. Emerging Markets' capital inflows also include capital allocation for corporate functions. For the Operating Group, net capital in/(out) flows reflect the amount received from shareholders by way of capital contributions and the amount received from the issuance of perpetual securities, less amounts distributed to holders of perpetual securities.

6.1 Segment results

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2019						
TWPI[2]	**1,443**	**1,140**	**1,801**	**271**	**–**	**4,655**
Premiums and fee income	1,911	1,355	2,350	363	(2)	5,977
Premiums ceded to reinsurers	(243)	(14)	(611)	(26)	–	(894)
Other operating revenue	70	5	67	4	(5)	141
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	1,738	1,346	1,806	341	(7)	5,224
Investment return	533	244	104	28	10	919
Total revenue[1]	**2,271**	**1,590**	**1,910**	**369**	**3**	**6,143**
Net insurance and investment contract benefits	1,748	1,288	1,452	309	–	4,797
Commission and commission-related expenses	193	122	102	(3)	–	414
Operating expenses	193	128	262	158	95	836
Finance costs and other expenses	18	11	23	3	1	56
Total expenses[1]	**2,152**	**1,549**	**1,839**	**467**	**96**	**6,103**
Share of profit/(loss) from associates and a joint venture	9	–	–	–	(2)	7
Segmental adjusted operating profit/(loss) before tax	**128**	**41**	**71**	**(98)**	**(95)**	**47**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(18)
Adjusted operating profit before tax						**29**
Key operating ratio:						
Expense ratio[2]	13.4%	11.2%	14.5%	53.4%	–	17.8%
Adjusted operating profit/(loss) before tax includes:						
Finance costs	2	–	3	2	1	8
Depreciation and amortisation	26	15	30	19	14	104

Notes:

1 Excludes results of the Non-core business, comprising of US$54m total revenue and US$117m total expenses.

2 Represents the amount attributable to the equity holders of FL and FGL.

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statements of financial position in Note 6.3.

US$m	Hong Kong[2]	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 December 2019						
Total assets	**17,027**	**21,137**	**10,618**	**1,912**	**263**	**50,957**
Total liabilities	**13,824**	**16,476**	**10,119**	**1,250**	**3,696**	**45,365**
Total equity	**3,203**	**4,661**	**499**	**662**	**(3,433)**	**5,592**
Shareholders' allocated equity	**2,862**	**4,274**	**371**	**654**	**(5,079)**	**3,082**
Net capital in/(out) flows[1]	241	3,071	(125)	578	(3,052)	713
Total assets include:						
Investment in associates and a joint venture	248	–	–	–	48	296

Notes:

1 Net capital inflows for Thailand and Emerging Markets include the consideration of US$3,072m for the SCB Life Acquisition and of US$20m for the acquisition of FWD Malaysia, respectively. Additionally, Hong Kong and Emerging Markets net capital inflows include approximately US$59m and US$364m for the acquisitions of VCLI and PTCL, respectively, which were acquisitions completed in 2020. Further details on the acquisitions are provided in Note 5.

2 Includes assets and liabilities of the pension business. Refer to Note 5.2.

Segment information is reconciled to the Adjusted net loss from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2019					
Net premiums, fee income and other operating revenue	5,224	–	54	5,278	Net premiums, fee income and other operating revenue
Investment return	919	35	1	955	Investment return
Total revenue	**6,143**	**35**	**55**	**6,233**	**Total revenue**
Net insurance and investment contract benefits	4,797	50	38	4,885	Net insurance and investment contract benefits
Finance costs and other expenses	1,306	–	383	1,689	Finance costs and other expenses
Total expenses	**6,103**	**50**	**421**	**6,574**	**Total expenses**
Share of profit from associates and a joint venture	7	–	–	7	Share of profit from associates and a joint venture
Segmental adjusted operating profit before tax	**47**				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(18)	–	18	–	
Adjusted operating profit before tax	**29**	**(15)**	**(348)**	**(334)**	**Adjusted loss before tax from continuing operations of the Operating Group**
				20	Tax benefit from continuing operations
				(314)	**Adjusted net loss from continuing operations of the Operating Group after tax**

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2020						
TWPI[2]	**1,730**	**2,255**	**2,131**	**430**	**–**	**6,546**
Premiums and fee income	2,697	2,575	2,839	641	(2)	8,750
Premiums ceded to reinsurers	(239)	(28)	(778)	(31)	–	(1,076)
Other operating revenue	78	9	113	13	(3)	210
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,536	2,556	2,174	623	(5)	7,884
Investment return	629	425	118	111	(1)	1,282
Total revenue[1]	**3,165**	**2,981**	**2,292**	**734**	**(6)**	**9,166**
Net insurance and investment contract benefits	2,494	2,419	1,677	616	–	7,206
Commission and commission-related expenses	314	228	227	14	–	783
Operating expenses	196	222	265	187	108	978
Finance costs and other expenses	21	26	23	4	–	74
Total expenses[1]	**3,025**	**2,895**	**2,192**	**821**	**108**	**9,041**
Share of profit/(loss) from associates and a joint venture	1	–	–	–	(1)	–
Segmental adjusted operating profit/(loss) before tax	**141**	**86**	**100**	**(87)**	**(115)**	**125**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(24)
Adjusted operating profit before tax						**101**
Key operating ratios:						
Expense ratio[2]	11.3%	9.8%	12.4%	40.6%	–	14.7%
Adjusted operating profit/(loss) before tax includes:						
Finance costs	2	2	3	4	–	11
Depreciation and amortisation	34	34	42	25	10	145

Notes:

1 Excludes results of the Non-core business, comprising of US$16m total revenue and US$29m total expenses.

2 Represents the amount attributable to the equity holders of FL and FGL.

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statements of financial position in Note 6.3.

US$m	Hong Kong[2]	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 December 2020						
Total assets	**22,669**	**22,475**	**12,970**	**3,409**	**1,027**	**62,550**
Total liabilities	**18,500**	**17,751**	**12,321**	**2,227**	**3,526**	**54,325**
Total equity	**4,169**	**4,724**	**649**	**1,182**	**(2,499)**	**8,225**
Shareholders' allocated equity	**3,408**	**4,269**	**500**	**1,153**	**(4,099)**	**5,231**
Net capital inflows[1]	406	27	36	640	1,234	2,343
Total assets include:						
Investment in associates and a joint venture	244	–	–	18	45	307

Notes:

1 Net capital inflows for Hong Kong include the consideration of US$344m for the Metlife acquisition and for Emerging Markets include US$40m for the VCLI acquisition and US$427m for the distribution agreements in Vietnam. Further details on the acquisitions and distribution agreements are provided in Note 5 and Note 36.

2 Includes assets and liabilities of the pension business. Refer to Note 5.2.

Segment information is reconciled to the Adjusted net loss from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2020					
Net premiums, fee income and other operating revenue	7,884	–	21	7,905	Net premiums, fee income and other operating revenue
Investment return	1,282	297	1	1,580	Investment return
Total revenue	**9,166**	**297**	**22**	**9,485**	**Total revenue**
Net insurance and investment contract benefits	7,206	168	(79)	7,295	Net insurance and investment contract benefits
Finance costs and other expenses	1,835	–	537	2,372	Finance costs and other expenses
Total expenses	**9,041**	**168**	**458**	**9,667**	**Total expenses**
Share of loss from associates and a joint venture	–	–	(1)	(1)	Share of loss from associates and a joint venture
Segmental adjusted operating profit before tax	**125**				
Implementation costs for IFRS 9 and 17 and Group-wide supervision	(24)	–	24	–	
Adjusted operating profit before tax	**101**	**129**	**(413)**	**(183)**	**Adjusted loss before tax from continuing operations of the Operating Group**
				(53)	Tax expense from continuing operations
				(236)	**Adjusted net loss from continuing operations of the Operating Group after tax**

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2021						
TWPI[2]	**1,888**	**2,249**	**2,105**	**609**	**–**	**6,851**
Premiums and fee income	3,989	2,553	2,874	990	–	10,406
Premiums ceded to reinsurers	(191)	(38)	(840)	(40)	–	(1,109)
Other operating revenue	67	13	148	23	(3)	248
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,865	2,528	2,182	973	(3)	9,545
Investment return	633	486	105	74	(22)	1,276
Total revenue[1]	**4,498**	**3,014**	**2,287**	**1,047**	**(25)**	**10,821**
Net insurance and investment contract benefits	3,542	2,412	1,650	859	–	8,463
Commission and commission-related expenses	521	225	293	29	–	1,068
Operating expenses	221	211	224	221	118	995
Finance costs and other expenses	27	22	23	4	–	76
Total expenses[1]	**4,311**	**2,870**	**2,190**	**1,113**	**118**	**10,602**
Share of loss from associates and a joint venture	–	–	–	(7)	(7)	(14)
Segmental adjusted operating profit/(loss) before tax	**187**	**144**	**97**	**(73)**	**(150)**	**205**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(29)
Adjusted operating profit before tax						**176**
Key operating ratios:						
Expense ratio[2]	11.7%	9.4%	10.6%	34.6%	–	14.4%
Adjusted operating profit/(loss) before tax includes:						
Finance costs	2	1	3	4	–	10
Depreciation and amortisation	33	40	24	29	14	140

Notes:

1 Excludes results of the Non-core business, comprising of US$16m total revenue and US$20m total expenses.

2 Represents the amount attributable to the equity holders of FL and FGL.

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statements of financial position in Note 6.3.

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 December 2021						
Total assets	**24,638**	**20,066**	**13,083**	**4,309**	**1,557**	**63,653**
Total liabilities	**20,564**	**16,553**	**12,425**	**2,805**	**2,359**	**54,706**
Total equity	**4,074**	**3,513**	**658**	**1,504**	**(802)**	**8,947**
Shareholders' allocated equity	**3,752**	**3,916**	**612**	**1,496**	**(2,409)**	**7,367**
Net capital in/(out) flows[1]	(59)	10	(49)	449	1,973	2,324
Total assets include:						
Investment in associates and a joint venture	8	–	–	287	37	332

Note:

1 Net capital inflows for Emerging Markets include the consideration of US$273m for the BRI acquisition. Further details are provided in Note 13.

Segment information is reconciled to the Adjusted net profit from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2021					
Net premiums, fee income and other operating revenue	9,545	–	15	9,560	Net premiums, fee income and other operating revenue
Investment return	1,276	837	24	2,137	Investment return
Total revenue	**10,821**	**837**	**39**	**11,697**	**Total revenue**
Net insurance and investment contract benefits	8,463	267	(65)	8,665	Net insurance and investment contract benefits
Finance costs and other expenses	2,139	51	525	2,715	Finance costs and other expenses
Total expenses	**10,602**	**318**	**460**	**11,380**	**Total expenses**
Share of profit/(loss) from associates and a joint venture	(14)	23	–	9	Share of profit/(loss) from associates and a joint venture
Segmental adjusted operating profit before tax	**205**				
Implementation costs for IFRS 9 and 17 and Group-wide supervision	(29)	–	29	–	
Adjusted operating profit before tax	**176**	**542**	**(392)**	**326**	**Adjusted profit before tax from continuing operations of the Operating Group**
				(126)	Tax expense from continuing operations
				200	**Adjusted net profit from continuing operations of the Operating Group after tax**

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Three months ended 31 March 2021 (Unaudited)						
TWPI[2]	**444**	**733**	**677**	**148**	**–**	**2,002**
Premiums and fee income	891	839	930	229	–	2,889
Premiums ceded to reinsurers	(32)	(9)	(276)	(14)	–	(331)
Other operating revenue	21	3	43	5	(2)	70
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	880	833	697	220	(2)	2,628
Investment return	153	123	31	(26)	(5)	276
Total revenue[1]	**1,033**	**956**	**728**	**194**	**(7)**	**2,904**
Net insurance and investment contract benefits	795	786	519	153	–	2,253
Commission and commission related expenses	135	80	80	8	–	303
Operating expenses	51	53	64	58	19	245
Finance costs and other expenses	5	5	6	1	–	17
Total expenses[1]	**986**	**924**	**669**	**220**	**19**	**2,818**
Share of profit/(loss) from associates and a joint venture	3	–	–	–	(1)	2
Segmental adjusted operating profit/(loss) before tax	50	32	59	(26)	(27)	88
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(7)
Adjusted operating profit before tax						**81**
Key operating ratios:						
Expense ratio[2]	11.5%	7.2%	9.5%	35.8%	–	12.0%
Adjusted operating profit/(loss) before tax includes:						
Finance costs	–	–	1	1	–	2
Depreciation and amortisation	8	13	12	7	3	43

Notes:

1 Excludes results of the Non-core business, comprising of US$2m total revenue and US$3m total expenses.

2 Represents the amount attributable to the equity holders of FL and FGL.

Segment information is reconciled to the Adjusted net profit from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments	Other non-operating items	Operating Group Total	
Three months ended 31 March 2021 (Unaudited)					
Net premiums, fee income and other operating revenue	2,628	–	4	2,632	Net premiums, fee income and other operating revenue
Investment return	276	145	4	425	Investment return
Total revenue	**2,904**	**145**	**8**	**3,057**	**Total revenue**
Net insurance and investment contract benefits	2,253	44	1	2,298	Net insurance and investment contract benefits
Finance costs and other expenses	565	–	106	671	Finance costs and other expenses
Total expenses	**2,818**	**44**	**107**	**2,969**	**Total expenses**
Share of profit from associates and a joint venture	2	–	–	2	Share of profit from associates and a joint venture
Segmental adjusted operating profit before tax	**88**				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(7)	–	7	–	
Adjusted operating profit before tax	**81**	**101**	**(92)**	**90**	**Adjusted profit before tax from continuing operations of the Operating Group**
				(33)	**Tax expense from continuing operations**
				57	**Adjusted net profit from continuing operations of the Operating Group after tax**

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Three months ended 31 March 2022						
TWPI[2]	**447**	**693**	**611**	**171**	**–**	**1,922**
Premiums and fee income	1,035	761	850	249	–	2,895
Premiums ceded to reinsurers	(39)	(11)	(260)	(11)	–	(321)
Other operating revenue	13	4	46	5	–	68
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	1,009	754	636	243	–	2,642
Investment return	99	83	36	–	(4)	214
Total revenue[1]	**1,108**	**837**	**672**	**243**	**(4)**	**2,856**
Net insurance and investment contract benefits	874	677	463	190	–	2,204
Commission and commission related expenses	137	64	85	8	–	294
Operating expenses	58	54	48	58	7	225
Finance costs and other expenses	7	5	5	–	–	17
Total expenses[1]	**1,076**	**800**	**601**	**256**	**7**	**2,740**
Share of profit from associates and joint ventures	–	–	–	1	–	1
Segmental adjusted operating profit/(loss) before tax	**32**	**37**	**71**	**(12)**	**(11)**	**117**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(10)
Adjusted operating profit before tax						**107**
Key operating ratios:						
Expense ratio[2]	12.9%	7.8%	7.8%	33.7%	–	11.7%
Adjusted operating profit/(loss) before tax includes:						
Finance costs	1	–	1	1	–	3
Depreciation and amortisation	8	11	5	7	4	35

Notes:

1 Excludes results of the Non-core business, comprising of US$4m total revenue and US$5m total expenses.

2 Represents the amount attributable to the equity holders of FL and FGL.

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statement of financial position in Note 6.3.

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted Financial Position
31 March 2022						
Total assets	**24,019**	**19,816**	**12,787**	**4,432**	**1,153**	**62,207**
Total liabilities	**20,969**	**16,816**	**12,423**	**2,837**	**2,265**	**55,310**
Total equity	**3,050**	**3,000**	**364**	**1,595**	**(1,112)**	**6,897**
Shareholders' allocated equity	**3,719**	**3,922**	**622**	**1,599**	**(2,451)**	**7,411**
Net capital in/(out) flows[1]	(4)	7	–	175	(269)	(91)
Total assets include:						
Investment in associates and joint ventures	9	–	–	337	36	382

Note:

1 Net capital inflows for Emerging Markets include the consideration of US$54m for the acquisition of additional interest in BRI. Further details are provided in Note 13.

Segment information is reconciled to the Adjusted net profit from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments	Other non-operating items	Operating Group Total	
Three months ended 31 March 2022					
Net premiums, fee income and other operating revenue	2,642	–	5	2,647	Net premiums, fee income and other operating revenue
Investment return	214	(128)	–	86	Investment return
Total revenue	**2,856**	**(128)**	**5**	**2,733**	**Total revenue**
Net insurance and investment contract benefits	2,204	(116)	1	2,089	Net insurance and investment contract benefits
Finance costs and other expenses	536	62	88	686	Finance costs and other expenses
Total expenses	**2,740**	**(54)**	**89**	**2,775**	**Total expenses**
Share of profit/(loss) from associates and joint ventures	1	–	(3)	(2)	Share of profit/(loss) from associates and joint ventures
Segmental adjusted operating profit before tax	117				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(10)	–	10	–	
Adjusted operating profit before tax	**107**	**(74)**	**(77)**	**(44)**	**Adjusted loss before tax from continuing operations of the Operating Group**
				(57)	**Tax expense from continuing operations**
				(101)	**Adjusted net loss from continuing operations of the Operating Group after tax**

6.2 Adjusted operating profit

The long-term nature of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "adjusted operating profit". Adjusted operating profit is provided to assist in the comparison of business trends in different reporting periods on a consistent basis and to enhance overall understanding of financial performance.

Adjusted operating profit includes among others the expected long-term investment returns for investments in equities and real estate based on the assumptions applied by the Group in the calculations of Embedded Value. The Group defines adjusted operating profit as loss of the Group from continuing operations after tax adjusted to exclude the following items:

- Short-term fluctuations in investment return related to equities and property investments;
- Finance costs related to borrowings and long-term payables;
- Amortisation of Value of Business Acquired (VOBA);
- M&A, business set up and restructuring related costs;
- [**REDACTED**]-related costs including incentive costs; and
- Any other items which, in the Directors' view, should be disclosed separately to enable a full understanding of the Group's financial performance.

The Group considers that the presentation of adjusted operating profit enhances the understanding and comparability of its performance and that of its operating segments on an ongoing basis. The Group considers that trends can be more clearly identified without the significant impact of the amortisation of VOBA, the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activities and the fluctuating effects of other non-operating items which are largely dependent on market factors.

Adjusted net profit/(loss) of the Group from continuing operations after tax is reconciled to the adjusted operating profit/(loss) after tax as follows:

US$m	*Notes*	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	*6.3*	**(314)**	**(236)**	**200**	**57**	**(101)**
Tax on adjusted operating profit before tax		34	50	52	15	12
Tax impact from non-operating items		(54)	3	74	18	45
Adjusted profit/(loss) of the Operating Group before tax from continuing operations		**(334)**	**(183)**	**326**	**90**	**(44)**
Non-operating items, net of related changes in insurance and investment contract liabilities:						
Short-term fluctuations in investment return related to equities and property investments		(40)	104	(503)	(126)	109
Other non-operating investment return		55	(233)	(39)	25	(35)
Finance costs related to borrowings and long-term payables		99	162	174	37	27
Amortisation of value of business acquired		31	82	100	33	16
M&A, business set up and restructuring related costs		100	151	104	15	19
[**REDACTED**]-related costs including incentive costs		2	40	73	10	12
Other non-operating items		116	(22)	(59)	(3)	3

US$m	Notes	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Adjusted operating profit before tax	*6.1*	**29**	**101**	**176**	**81**	**107**
Tax on adjusted operating profit before tax		(34)	(50)	(52)	(15)	(12)
Adjusted operating profit/(loss) after tax		**(5)**	**51**	**124**	**66**	**95**
Segmental adjusted operating profit before tax	*6.1*	**47**	**125**	**205**	**88**	**117**
Tax on segmental adjusted operating profit before tax		(34)	(50)	(52)	(15)	(12)
Segmental adjusted operating profit after tax		**13**	**75**	**153**	**73**	**105**
Adjusted operating profit before tax attributable to:						
Equity holders of FL and FGL		**31**	**107**	**177**	**83**	**107**
Non-controlling interests		(2)	(6)	(1)	(2)	–
Adjusted operating profit/(loss) after tax attributable to:						
Equity holders of FL and FGL		**(3)**	**57**	**125**	**68**	**95**
Non-controlling interests		(2)	(6)	(1)	(2)	–

6.3 Adjusted results and financial position

The adjusted results and financial positions are the profit/(loss) from continuing operations after tax and net profit/(loss) of the Operating Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, and the total assets, liabilities and equity of the Operating Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 excluding the results and certain balances attributable to the Transfer and Novation of Borrowings and Related Parties Balances and Exchange of Share Capital of FL and FGL, and the results and certain balances of the Company and the Financing Entities. Refer to Note 1.2 for further details on the History and Reorganisation of the Group.

Adjusted net profit/(loss) of the Operating Group from continuing operations after tax

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Profit/(loss) of the Group from continuing operations after tax	**(316)**	**(272)**	**200**	**57**	**(101)**
Less:					
Net loss of the Company and Financing Entities[1]	2	36	–	–	–
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	**(314)**	**(236)**	**200**	**57**	**(101)**
Attributable to:					
Shareholders of the Company	**(349)**	**(288)**	**139**	**44**	**(114)**
Perpetual securities	38	65	65	16	13
Non-controlling interests	(3)	(13)	(4)	(3)	–

Adjusted net profit/(loss) of the Operating Group

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Net profit/(loss) of the Group	**(332)**	**(252)**	**249**	**106**	**(101)**
Less:					
Net loss of the Company and Financing Entities[1]	2	36	–	–	–
Adjusted net profit/(loss) of the Operating Group	**(330)**	**(216)**	**249**	**106**	**(101)**
Attributable to:					
Shareholders of the Company	**(365)**	**(268)**	**188**	**93**	**(114)**
Perpetual securities	38	65	65	16	13
Non-controlling interests	(3)	(13)	(4)	(3)	–

Note:

1 Mainly consists of finance costs on bank borrowings and guaranteed notes of US$2m and US$36m for the years ended 31 December 2019 and 2020, respectively, that were transferred to PCGI Holdings Limited as part of the Reorganisation disclosed in Note 1.2.2. The Company is included in the Operating Group during the year ended 31 December 2021 and three months ended 31 March 2022.

Finance costs presented in the segmental information can be reconciled to the consolidated income statements as follows:

US$m	*Notes*	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Finance costs, principally related to leases, included in adjusted operating profit	*6.1*	8	11	10	2	3
Finance costs related to borrowings and long-term payables	*6.2*	99	162	174	37	27
Finance costs of the Company and Financing Entities[1]		2	36	–	–	–
Total		**109**	**209**	**184**	**39**	**30**

Note:

1 The Company is included in the Operating Group during the year ended 31 December 2021 and three months ended 31 March 2022.

Adjusted total assets of the Operating Group

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Total assets of the Group	**51,305**	**62,550**	**63,653**	**62,207**
Less:				
Cash and cash equivalents[1]	(348)	–	–	–
Adjusted total assets of the Operating Group	**50,957**	**62,550**	**63,653**	**62,207**

Note:

1 As of 31 December 2019, cash and cash equivalents of US$348m includes cash related to the Company and PCGI Limited of US$249m and US$99m, respectively.

Adjusted total liabilities of the Operating Group

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Total liabilities of the Group	**45,775**	**54,325**	**54,706**	**55,310**
Less:				
Borrowings	(346)	–	–	–
Interests payable	(4)	–	–	–
Amount due to related parties	(60)	–	–	–
Adjusted total liabilities of the Operating Group	**45,365**	**54,325**	**54,706**	**55,310**

Adjusted total equity of the Operating Group

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Total equity of the Group attributable to:				
Shareholders of the Company	2,918	4,898	5,647	4,331
Perpetual securities	1,608	1,607	1,607	1,339
Non-controlling interests	1,004	1,720	1,693	1,227
Total equity of the Group	**5,530**	**8,225**	**8,947**	**6,897**
Add:				
Share capital and share premium	1,028	1,713	1,692	1,226
Less:				
Non-controlling interests	(966)	(1,713)	(1,692)	(1,226)
Adjusted total equity of the Operating Group attributable to:				
Shareholders of the Company	3,946	6,611	7,339	5,557
Perpetual securities	1,608	1,607	1,607	1,339
Non-controlling interests	38	7	1	1
Adjusted total equity of the Operating Group	**5,592**	**8,225**	**8,947**	**6,897**

6.4 Total Weighted Premium Income

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as TWPI. TWPI is presented based on the Group's effective ownership interest in the Insurance Business.

TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies. TWPI represents the amount attributable to the equity holders of FL and FGL.

Management considers that TWPI provides an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not intended to be indicative of premiums and fee income recorded in the consolidated income statements.

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
TWPI by geography					
Hong Kong	1,443	1,730	1,888	444	447
Thailand	1,140	2,255	2,249	733	693
Japan	1,801	2,131	2,105	677	611
Emerging Markets	271	430	609	148	171
Total	**4,655**	**6,546**	**6,851**	**2,002**	**1,922**
First year premiums by geography					
Hong Kong	401	283	251	74	38
Thailand	238	584	421	152	132
Japan	256	516	231	67	48
Emerging Markets	119	172	200	49	60
Total	**1,014**	**1,555**	**1,103**	**342**	**278**
Single premiums by geography					
Hong Kong	418	969	2,248	474	636
Thailand	229	344	331	116	74
Japan	–	–	–	–	–
Emerging Markets	76	190	349	82	74
Total	**723**	**1,503**	**2,928**	**672**	**784**
Renewal premiums by geography					
Hong Kong	1,000	1,350	1,412	322	345
Thailand	879	1,637	1,795	569	554
Japan	1,545	1,615	1,874	610	563
Emerging Markets	145	239	374	91	103
Total	**3,569**	**4,841**	**5,455**	**1,592**	**1,565**

TWPI is reconciled to Premiums and fee income in the consolidated income statements as shown below:

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
TWPI	**4,655**	**6,546**	**6,851**	**2,002**	**1,922**
90% of Single premium	651	1,353	2,635	605	706
Premium not included in TWPI[1]	641	783	820	270	244
Gross written premium	**5,947**	**8,682**	**10,306**	**2,877**	**2,872**
Fee Income and change in unearned premium	100	94	120	17	29
Premiums and fee income	**6,047**	**8,776**	**10,426**	**2,894**	**2,901**

Note:

1 Mainly comprises certain premium from reinsurance contracts, non-core business and amounts attributable to non-controlling interests.

7. REVENUE

Investment return

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Interest income	619	867	938	233	243
Dividend income	82	140	296	55	56
Rental income[1]	21	25	28	6	7
Investment income	**722**	**1,032**	**1,262**	**294**	**306**
Available for Sale					
Net realised gains/(losses) from debt securities	65	217	123	40	(41)
Impairment of available-for-sale financial assets	(3)	(7)	(4)	–	–
Net gains/(losses) of available-for-sale financial assets reflected in the consolidated income statements	**62**	**210**	**119**	**40**	**(41)**
At fair value through profit or loss					
Net gains/(losses) of debt securities	7	2	(2)	(2)	(1)
Net gains/(losses) of equity securities	278	346	861	151	(222)
Net fair value movement on derivatives	(81)	9	(486)	(323)	(174)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**204**	**357**	**373**	**(174)**	**(397)**
Net fair value movement of investment property	6	(8)	(5)	–	(1)
Net foreign exchange gains/(losses)	(40)	(33)	385	263	218
Other net realised gains	1	23	3	2	1
Investment experience	**233**	**549**	**875**	**131**	**(220)**
Investment return	**955**	**1,581**	**2,137**	**425**	**86**

Note:

1 Represents rental income from operating lease contracts of the Group's investment property portfolio. Further details are included in Note 15.

Foreign currency movements resulted in the following gains/(losses) recognised in the consolidated income statements (other than gains and losses arising on items measured at fair value through profit or loss):

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Foreign exchange gains/(losses)	(14)	(19)	374	254	196

Other operating revenue

Other operating revenue largely consists of ceding commissions from reinsurance arrangements as well as administrative fees and asset management fees.

8. EXPENSES

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Insurance contract benefits	2,200	3,301	3,677	906	935
Change in insurance contract liabilities	3,140	4,596	5,708	1,617	1,274
Investment contract benefits	22	44	11	2	–
Insurance and investment contract benefits	**5,362**	**7,941**	**9,396**	**2,525**	**2,209**
Insurance and investment contract benefits ceded	(477)	(646)	(731)	(227)	(120)
Insurance and investment contract benefits, net of reinsurance ceded	**4,885**	**7,295**	**8,665**	**2,298**	**2,089**
Commission and other acquisition expenses incurred	1,249	1,525	1,648	442	452
Deferral and amortisation of acquisition expenses	(833)	(693)	(527)	(137)	(96)
Commission and other acquisition expenses	**416**	**832**	**1,121**	**305**	**356**
Employee benefits expenses	439	624	584	140	145
Depreciation	70	78	75	20	16
Amortisation	24	42	31	12	7
Marketing and advertising	83	55	58	9	10
Professional service fees	114	165	176	28	26
Information technology expenses	100	121	154	31	33
Operating lease rentals	7	6	5	1	1
Other general expenses[1]	173	121	160	38	30
General expenses	**1,010**	**1,212**	**1,243**	**279**	**268**
Investment management expenses	47	62	66	15	16
Amortisation of value of business acquired	31	82	99	33	16
Others	77	13	2	–	–
Other expenses	**155**	**157**	**167**	**48**	**32**
Finance costs	109	209	184	39	30
Total	**6,575**	**9,705**	**11,380**	**2,969**	**2,775**

Note:

1 Includes travel and entertainment, bank charges, office related expenses and other general operating expenses.

General expenses may be analysed as follows:

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Operating expenses	836	978	995	245	225
Non-operating expenses	174	234	248	34	43
Total general expenses[1]	1,010	1,212	1,243	279	268

Note:

1 Includes (i) M&A, business set up and restructuring related costs, (ii) implementation costs for IFRS 9 and 17 and Group-wide supervision and (iii) [**REDACTED**]-related costs including incentive costs. Refer to Note 6 for further details.

Professional service fees include auditor's remunerations of:

US$'m	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
				(Unaudited)	
Audit services	4	5	9	–	–
Non audit services	–	3	2	–	–
Total	**4**	**8**	**11**	**–**	**–**

Depreciation consists of:

US$m	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
				(Unaudited)	
Leasehold improvements, furniture and fixtures, computer equipment and others	25	26	25	7	6
Right-of-use assets					
– Premises and car park	38	48	46	12	10
– Equipment and Others	7	4	4	1	–
Total	**70**	**78**	**75**	**20**	**16**

Finance costs may be analysed as follows:

US$m	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
				(Unaudited)	
Borrowings	94	168	124	30	23
Lease liabilities	6	6	5	1	1
Others	9	35	55	8	6
Total	**109**	**209**	**184**	**39**	**30**

Employee benefits consist of:

US$m	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
				(Unaudited)	
Wages and salaries	356	486	490	116	128
Share-based compensation	30	31	34	8	(3)
Pension costs	14	33	20	6	6
Other employee benefits expenses	39	74	40	10	14
Total	**439**	**624**	**584**	**140**	**145**

9. INCOME TAX

(1) Tax benefit/(expense) from continuing operations

Taxes on assessable profits have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Current income tax	(6)	(60)	(39)	(1)	(75)
Deferred income tax on temporary differences	26	7	(87)	(32)	18
Total	**20**	**(53)**	**(126)**	**(33)**	**(57)**

The tax benefit/(expense) attributable to life insurance policyholder returns in Malaysia is included in the tax benefit/(expense) and is analysed separately in the consolidated income statements in order to permit comparison of the underlying effective rate of tax attributable to shareholders from year to year. The tax expense/(benefit) attributable to policyholders' returns included above is US$1m, US$4m, US$1m, US$nil and US$(1m) for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively.

The table below reflects the principal rates of corporate income tax as at the end of each year. The rates reflect enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction.

	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Hong Kong	16.5%	16.5%	16.5%	16.5%	16.5%
Thailand	20%	20%	20%	20%	20%
Japan	28%	28%	28%	28%	28%
Others	12%-30%	12%-30%	12%-25%	12%-25%	12%-25%

In 2021, a change in the corporate income tax rate has been enacted in the Philippines. The corporate income tax rate changed from 30 per cent to 25 per cent effective from 1 July 2020.

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Income tax reconciliation					
(Loss)/profit before tax from continuing operations	**(336)**	**(219)**	**326**	**90**	**(44)**
Tax benefit/(expense) calculated at domestic tax rates applicable to profits in the respective jurisdictions	80	41	(54)	(11)	9
Increase in tax benefit/reduction in tax expense from:					
Income not subject to tax	16	17	48	14	2
Credit in respect of a previously unrecognised tax loss or temporary difference from a prior period	27	16	30	8	15
Amount over provided in prior years	–	–	–	–	2
Others	–	–	–	1	6
	43	33	78	23	25

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Decrease in tax benefit/increase in tax expense from:					
Disallowed expenses	(60)	(62)	(96)	(25)	(16)
Unrecognised deferred tax assets	(38)	(56)	(42)	(20)	(75)
Amount under provided in prior years	(4)	(9)	(8)	–	–
Others	(1)	–	(4)	–	–
	(103)	(127)	(150)	(45)	(91)
Total income tax benefit/(expense)	**20**	**(53)**	**(126)**	**(33)**	**(57)**

(2) Deferred tax

The movement in net deferred tax liabilities in the year may be analysed as set out below:

US$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statements	Credited/(charged) to other comprehensive income: Fair value reserve[1]	Foreign exchange	Others	Net deferred tax asset/ (liability) at 31 December
31 December 2019							
Revaluation of financial instruments	(111)	(297)	50	(204)	(16)	–	(578)
Deferred acquisition costs	(260)	–	(125)	–	(7)	–	(392)
Insurance and investment contract liabilities	247	180	(27)	–	14	–	414
Value of business acquired	(138)	(33)	8	–	(1)	–	(164)
Intangible assets	(13)	1	16	–	1	–	5
Losses available for offset against future taxable income	39	–	34	–	–	–	73
Others	93	1	70	–	(2)	(3)	159
Total	**(143)**	**(148)**	**26**	**(204)**	**(11)**	**(3)**	**(483)**

US$m	Net deferred tax asset/ (liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statements	Credited/(charged) to other comprehensive income: Fair value reserve[1]	Credited/(charged) to other comprehensive income: Foreign exchange	Others	Net deferred tax asset/ (liability) at 31 December
31 December 2020							
Revaluation of financial instruments	(578)	(1)	37	(89)	–	–	(631)
Deferred acquisition costs	(392)	–	22	–	(1)	–	(371)
Insurance and investment contract liabilities	414	(6)	(173)	–	(1)	–	234
Value of business acquired	(164)	(13)	12	–	1	–	(164)
Intangible assets	5	–	(3)	–	–	–	2
Losses available for offset against future taxable income	73	–	65	–	–	–	138
Others	159	1	47	–	7	5	219
Total	**(483)**	**(19)**	**7**	**(89)**	**6**	**5**	**(573)**

US$m	Net deferred tax asset/ (liability) at 1 January	Reclassified to liabilities directly associated with assets classified as held-for-sale	Credited/ (charged) to income statements	Credited/(charged) to other comprehensive income: Fair value reserve[1]	Credited/(charged) to other comprehensive income: Foreign exchange	Others	Net deferred tax asset/ (liability) at 31 December
31 December 2021							
Revaluation of financial instruments	(631)	2	(6)	323	28	–	(284)
Deferred acquisition costs	(371)	–	(99)	–	18	–	(452)
Insurance and investment contract liabilities	234	–	133	–	(30)	–	337
Value of business acquired	(164)	–	35	–	6	–	(123)
Intangible assets	2	–	(9)	–	(1)	–	(8)
Losses available for offset against future taxable income	138	–	(104)	–	(1)	–	33
Others	219	–	(37)	–	(17)	–	165
Total	**(573)**	**2**	**(87)**	**323**	**3**	**–**	**(332)**

			Credited/(charged) to other comprehensive income			
US$m	Net deferred tax asset/ (liability) at 1 January	Credited/ (charged) to income statements	Fair value reserve[1]	Foreign exchange	Others	Net deferred tax asset/ (liability) at 31 March
31 March 2022						
Revaluation of financial instruments	(284)	8	335	–	1	60
Deferred acquisition costs	(452)	(2)	–	2	–	(452)
Insurance and investment contract liabilities	337	107	–	2	–	446
Value of business acquired	(123)	3	–	–	–	(120)
Intangible assets	(8)	(2)	–	1	–	(9)
Losses available for offset against future taxable income	33	(32)	–	1	–	2
Others	165	(64)	–	(5)	–	96
Total	**(332)**	**18**	**335**	**1**	**1**	**23**

Note:

1 Of the fair value reserve deferred tax charge/(credit), US$217m, US$114m, US$(303m), US$(324m) and US$(338m) for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively, relates to fair value gains and losses on available for sale financial assets, and US$(13m), US$(25m), US$(20m), US$(6m) and US$3m for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively, relates to fair value gains and losses on available for sale financial assets transferred to income on disposal and impairment.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised tax losses of US$500m, US$527m, US$645m and US$602m as at 31 December 2019, 2020 and 2021 and 31 March 2022, as it is not considered probable that sufficient taxable profits will be available against which these tax losses can be further utilised in the foreseeable future.

The Group has not provided deferred tax liabilities in respect of unremitted earnings of operations in jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Hong Kong, China, Cambodia, Indonesia, Japan, the Philippines, Singapore, Malaysia, Macau, Thailand and Vietnam. The tax losses incurred in a tax year can be carried forward indefinitely (Hong Kong and Singapore), for three years (the Philippines and Macau), for five years (China, Cambodia, Indonesia, Thailand and Vietnam) and for ten years (Japan and Malaysia).

10. EARNINGS PER SHARE

No earnings per share information is presented as the information, for the purpose of these Consolidated Financial Statements, is not considered meaningful due to the Reorganisation and the presentation of the results for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 on the basis as disclosed in Note 1 above.

11. DIVIDENDS

No dividend has been paid or declared by the Company since 1 January 2019.

12. INTANGIBLE ASSETS

US$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2019	**969**	**708**	**93**	**1,770**
Acquisition	497	–	19	516
Additions	–	1,239	54	1,293
Foreign exchange movements	20	96	(4)	112
At 31 December 2019	**1,486**	**2,043**	**162**	**3,691**
Acquisitions	171	–	6	177
Additions	–	504	64	568
Disposals	–	(672)	(10)	(682)
Assets held for sale	(1)	–	–	(1)
Foreign exchange movements	(4)	(48)	7	(45)
At 31 December 2020	**1,652**	**1,827**	**229**	**3,708**
Additions	–	27	49	76
Disposals	–	–	(17)	(17)
Foreign exchange movements	(56)	(123)	(19)	(198)
At 31 December 2021	**1,596**	**1,731**	**242**	**3,569**
Additions	–	–	10	10
Foreign exchange movements	(2)	(3)	(6)	(11)
At 31 March 2022	**1,594**	**1,728**	**246**	**3,568**
Accumulated amortisation and impairment				
At 1 January 2019	**(37)**	**(30)**	**(32)**	**(99)**
Amortisation charge for the year	–	(11)	(24)	(35)
Impairment	–	(63)	–	(63)
Foreign exchange movements	(1)	(4)	(2)	(7)
At 31 December 2019	**(38)**	**(108)**	**(58)**	**(204)**
Amortisation charge for the year	–	(29)	(42)	(71)
Disposals	–	91	4	95
Assets held for sale	1	–	–	1
Foreign exchange movements	–	5	(3)	2
At 31 December 2020	**(37)**	**(41)**	**(99)**	**(177)**
Amortisation charge for the year	–	(33)	(31)	(64)
Disposals	–	–	8	8
Foreign exchange movements	1	3	8	12
At 31 December 2021	**(36)**	**(71)**	**(114)**	**(221)**
Amortisation charge for the period	–	(10)	(7)	(17)
Foreign exchange movements	–	–	2	2
At 31 March 2022	**(36)**	**(81)**	**(119)**	**(236)**
Net book value				
At 31 December 2019	**1,448**	**1,935**	**104**	**3,487**
At 31 December 2020	**1,615**	**1,786**	**130**	**3,531**
At 31 December 2021	**1,560**	**1,660**	**128**	**3,348**
At 31 March 2022	**1,558**	**1,647**	**127**	**3,332**

Goodwill

Goodwill arises in respect of the Group's insurance business and is allocated to each segment as follows:

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Hong Kong	903	915	915	915
Thailand	540	536	483	483
Japan	4	4	4	3
Emerging markets[1]	1	160	158	157

Note:

1 Includes goodwill of US$1m from the operation in Vietnam as at 31 December 2019; and US$150m and US$10m from the operations in Indonesia and Vietnam as at 31 December 2020; and US$148m and US$10m from the operations in Indonesia and Vietnam as at 31 December 2021 and US$147m and US$10m from the operations in Indonesia and Vietnam as at 31 March 2022, respectively.

Impairment tests for goodwill

Goodwill is tested for impairment by comparing the carrying amount of the cash generating unit ("CGU"), including goodwill, to the recoverable amount of that CGU. If the recoverable amount of the CGU exceeds the carrying amount of the CGU, the goodwill allocated to that CGU shall be regarded as not impaired. The recoverable amount is the value in use of the CGU unless otherwise stated.

The value in use is calculated as an actuarially determined appraisal value, based on (i) the Embedded Value ("EV") with respect to the in-force business together with (ii) the value of future new business.

EV captures the market value of the assets in excess of those backing the policy reserves and other liabilities as well as the value of all in-force policies as at the reporting date attributable to the shareholders of the Company.

The value of future new business is the aggregation of the present value of future expected profits on policies expected to be sold in the future (i.e. Value of new business ("VNB")). This is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projects.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 6% to 12.5% as at 31 December 2019, and 6% to 14% as at 31 December 2020, 2021 and 31 March 2022, respectively. The Group projected new sales over the next 15 years to estimate the VNB, using growth rates in the current five-year approved financial budgets which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses, and 3% to 5% thereafter. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

With regard to the assessment of value in use, management does not believe a reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

Distribution rights

Distribution rights represent exclusive bancassurance and distribution agreements in Thailand, Indonesia, Vietnam and the Philippines. During the years ended 31 December 2019 and 2020, the Group has entered new distribution agreements. Refer to Note 5 for further details.

The Group entered into a 15-year exclusive bancassurance contract with TMB Bank Public Company Limited ("TMB") in Thailand in 2017. On 1 April 2020, the Group novated the exclusive distribution agreement with TMB Bank Public Company Limited to Prudential Life Assurance (Thailand) Public Company Limited with a transition period of nine months ended 31 December 2020 for a total consideration of approximately US$580m. Accordingly, the Group reduced the carrying amounts of the distribution rights by US$63m for the year ended 31 December 2019.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Group				
Investments in associates	48	64	324	374
Investments in joint ventures	248	243	8	8
Total	**296**	**307**	**332**	**382**

The Group's interest in its key associates and joint venture are as follows:

Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	Group's interest % As at 31 December 2019	2020	2021	As at 31 March 2022
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	–	–	29.86%	35.14%
CompareAsia Group Capital Limited	Cayman Islands	Operation of online platforms and provision of insurance brokerage and marketing services	Associate	Ordinary	25.50%	25.40%	25.40%	25.40%
One George Street LLP ("OGS")	Singapore	Investment in real estate properties in Singapore	Joint venture	Ordinary	50.00%	50.00%	50.00%	50.00%

All associates and joint ventures are unlisted.

On 31 August 2020, the Group acquired 40% of the share capital of IPP Financial Advisers Pte. Ltd ("IPPFA"), a licensed financial advisor in Singapore ("IPPFA Acquisition"). The total consideration was US$18m, of which US$16m was paid on the transaction date and US$2m will be paid no later than thirty months after the agreement signing date. The Group accounts for this investment as an associate. Dividend received from IPPFA during the year ended 31 December 2021, three months ended 31 March 2021 and 2022 was US$1m, US$nil and US$nil, respectively.

On 2 March 2021, the Group has completed its initial investment in a minority stake of 29.86% in BRI Life, the life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk ("BRI") at a consideration of US$273m. Concurrently, BRI Life has entered into a 15-year life insurance distribution agreement with BRI. The Group utilises the acquisition method of accounting as in acquisition of subsidiaries to determine the Group's share of the net fair value of assets and liabilities for its initial investment in BRI Life. On 2 March 2022, the Group acquired an additional interest of 5.28% in BRI Life at a consideration of US$54m. As a result, the Group has a total of 35.14% effective ownership interest in BRI Life.

On 9 December 2021, OGS completed a transaction to dispose its investment property (the "Property") to a third party. Immediately after the disposal, management determined the recoverable amount of investment in OGS to be the carrying amount of the net assets. Accordingly, the investment amount in OGS is adjusted by US$39m.

Summarised financial information of associates and joint ventures

(a) ***Financial information of OGS***

Summarised statements of financial position of OGS:

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Assets	868	860	40	20
Liabilities	(453)	(457)	(24)	(4)
Equity	415	403	16	16
The Group's share in equity – 50%	208	202	8	8
Goodwill	40	41	39	–
Investment in OGS	248	243	47	8
Adjustment to the investment in OGS	–	–	(39)	–
Carrying amount in the consolidated statement of financial position	248	243	8	8

Summarised income statements and other comprehensive income of OGS:

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Revenue	38	37	143	10	–
Expenses	(19)	(35)	(18)	(4)	–
Profit for the year/period	19	2	125	6	–
Other comprehensive income/(loss) for the year/period	6	6	(16)	(8)	–
Total comprehensive income for the year/period	25	8	109	(2)	–
Group's share of total comprehensive income for the year/period – 50%	13	4	55	(1)	–
Adjustment to the investment in OGS	–	–	(39)	–	–
Group's share of total comprehensive income for the year/period	13	4	16	(1)	–

Dividend received from OGS during the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 31 March 2022 was US$9m, US$10m, US$8m, US$2m and US$nil, respectively. In addition, the Group received capital distribution of US$238m from OGS during the year ended 31 December 2021.

(b) ***Financial information of BRI Life***

Summarised statement of financial position of BRI Life:

US$m	As at 31 December 2021	As at 31 March 2022
Assets	1,473	1,566
Liabilities	(965)	(1,011)
Net assets	508	555
The Group's share in net assets – 35.14% (31 December 2021: 29.86%)	152	195
Goodwill	115	123
Group's carrying amount of the investment in BRI Life	267	318

Summarised income statement and other comprehensive income of BRI Life:

US$m	From 2 March to 31 December 2021	Three months ended 31 March 2022
Revenue	367	202
Expenses	(395)	(207)
Loss for the period	(28)	(5)
Other comprehensive income/(loss) for the period	9	(1)
Total comprehensive loss for the period	(19)	(6)
Group's share of total comprehensive loss for the period	(6)	(2)

Reconciliation of the summarised financial information of BRI Life:

US$m	As at 31 December 2021	As at 31 March 2022
Net assets		
Beginning of the period	527	508
Total comprehensive loss for the period	(19)	(6)
Capital injection	–	53
Ending of the period	508	555
Interest in BRI Life – 35.14% (31 December 2021: 29.86%)	152	195
Goodwill	115	123
Group's carrying amount of the investment in BRI Life	267	318

(c) Aggregated financial information of the associates that are not individually material

The following table analyses, in aggregate, the share of profit and other comprehensive income of the associates that are not individually material.

US$m	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Net loss	(2)	(2)	(6)	(1)	–
Other comprehensive income	–	–	–	–	–
Total comprehensive loss	**(2)**	**(2)**	**(6)**	**(1)**	**–**

14. PROPERTY, PLANT AND EQUIPMENT

US$m	Property, plant and equipment: Leasehold improvements	Furniture and fixtures and others	Computer equipment	Property held for own use	Right-of-use assets: Premises and car parks	Equipment and others	Total
Cost							
At 1 January 2019	45	15	56	10	–	–	126
Opening adjustment on adoption of IFRS 16	–	–	–	–	98	17	115
At 1 January 2019, as adjusted	45	15	56	10	98	17	241
Acquisition of subsidiaries	2	2	5	–	12	1	22
Additions	14	2	15	–	35	3	69
Disposals	(2)	(1)	(1)	–	(1)	–	(5)
Foreign exchange movements	(1)	–	2	1	3	–	5
At 31 December 2019	**58**	**18**	**77**	**11**	**147**	**21**	**332**
Acquisition of subsidiaries	3	1	–	–	8	–	12
Additions	11	–	2	–	58	8	79
Disposals	(3)	(6)	(2)	–	(19)	(4)	(34)
Disposal of subsidiaries	–	–	(1)	–	–	–	(1)
Foreign exchange movements	1	–	1	–	3	–	5
At 31 December 2020	**70**	**13**	**77**	**11**	**197**	**25**	**393**
Remeasurement of lease liability	–	–	–	–	(7)	(1)	(8)
Additions	6	2	12	–	54	3	77
Disposals	(4)	(2)	(6)	–	(45)	(1)	(58)
Reclassifications	–	(2)	–	(10)	–	–	(12)
Foreign exchange movements	(3)	(1)	(4)	–	(9)	–	(17)

	Property, plant and equipment				Right-of-use assets		
US$m	Leasehold improvements	Furniture and fixtures and others	Computer equipment	Property held for own use	Premises and car parks	Equipment and others	Total
At 31 December 2021	**69**	**10**	**79**	**1**	**190**	**26**	**375**
Additions	1	1	1	–	12	–	15
Disposals	(4)	–	(1)	–	(9)	–	(14)
Foreign exchange movements	(1)	–	(1)	–	(3)	–	(5)
At 31 March 2022	**65**	**11**	**78**	**1**	**190**	**26**	**371**
Accumulated depreciation							
At 1 January 2019	(23)	(8)	(33)	–	–	–	(64)
Disposals	1	1	1	–	–	–	3
Depreciation charge for the year	(9)	(3)	(13)	–	(38)	(7)	(70)
Impairment	(5)	–	(1)	–	–	(9)	(15)
Foreign exchange movements	(1)	–	(1)	–	–	–	(2)
At 31 December 2019	**(37)**	**(10)**	**(47)**	**–**	**(38)**	**(16)**	**(148)**
Additions	(3)	–	–	–	–	–	(3)
Disposals	2	4	8	–	16	4	34
Disposal of subsidiaries	–	–	1	–	–	–	1
Depreciation charge for the year	(10)	(2)	(14)	–	(48)	(4)	(78)
Foreign exchange movements	(1)	–	(1)	–	(3)	–	(5)
At 31 December 2020	**(49)**	**(8)**	**(53)**	**–**	**(73)**	**(16)**	**(199)**
Disposals	2	1	4	–	40	1	48
Depreciation charge for the year	(9)	(2)	(14)	–	(46)	(4)	(75)
Reclassifications	–	2	–	–	–	–	2
Foreign exchange movements	2	–	3	–	3	–	8
At 31 December 2021	**(54)**	**(7)**	**(60)**	**–**	**(76)**	**(19)**	**(216)**
Disposals	4	–	1	–	7	–	12
Depreciation charge for the period	(2)	(1)	(3)	–	(10)	–	(16)
Foreign exchange movements	–	–	1	–	2	–	3
At 31 March 2022	**(52)**	**(8)**	**(61)**	**–**	**(77)**	**(19)**	**(217)**
Net book value							
At 31 December 2019	**21**	**8**	**30**	**11**	**109**	**5**	**184**
At 31 December 2020	**21**	**5**	**24**	**11**	**124**	**9**	**194**
At 31 December 2021	**15**	**3**	**19**	**1**	**114**	**7**	**159**
At 31 March 2022	**13**	**3**	**17**	**1**	**113**	**7**	**154**

The Group obtains right to use various office premises, residential units, car parks, office equipment, IT-related and other assets for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 12 years. Right-of-use assets are carried at cost less accumulated depreciation.

During the year ended 31 December 2019, an impairment loss of US$15m was recognised in the Corporate and Others segment for a leased premise and related leasehold improvements and equipment, due to adverse market conditions. The impairment loss for the leased premise was determined by considering the estimated future cash flows for the remaining lease term, discounted at a rate of 4.49% on a pre-tax basis.

15. INVESTMENT PROPERTY

US$m

Fair value	
At 1 January 2019	306
Additions	226
Fair value gains/(losses)	6
Foreign exchange movements	4
At 31 December 2019	**542**
Additions	44
Fair value gains/(losses)	(8)
Foreign exchange movements	31
At 31 December 2020	**609**
Additions	117
Fair value gains/(losses)	(5)
Reclassification	10
Foreign exchange movements	(68)
At 31 December 2021	**663**
Additions	28
Fair value gains/(losses)	(1)
Foreign exchange movements	(34)
At 31 March 2022	**656**

The Group acquired commercial investment properties, residential property, hotel building and parcels of land in Japan and a commercial investment property and parcel of land in Malaysia.

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Details of valuation techniques and process are disclosed in Note 20.

The Group leases out its investment properties under operating lease contracts with terms varying from 1 to 20 years. Rental income generated from investment properties amounted to US$20m, US$25m, US$28m, US$6m and US$7m for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively. Direct operating expenses, including repair and maintenance, amounted to US$2m, US$5m, US$8m, US$1m and US$1m for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively.

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods are disclosed in Note 36.

16. REINSURANCE ASSETS

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Amounts recoverable from reinsurers	484	383	343	389
Ceded insurance and investment contract liabilities	2,396	2,849	3,061	3,003
Total[1]	**2,880**	**3,232**	**3,404**	**3,392**

Note:

1 Includes US$539m, US$635m, US$685m and US$628m at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, expected to be recovered within 12 months after the end of the reporting period.

17. DEFERRED ACQUISITION COSTS

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Carrying amount				
Deferred acquisition costs on insurance contracts	2,961	3,738	4,010	4,005
Value of business acquired	805	853	732	712
Total	**3,766**	**4,591**	**4,742**	**4,717**

	As at 31 December 2019	2020	2021	As at 31 March 2022
Movements in the year				
At beginning of year/period	**2,747**	**3,766**	**4,591**	**4,742**
Deferral and amortisation of acquisition costs	749	662	333	47
Acquisition of subsidiaries	161	129	–	–
Disposal of business	–	(5)	–	–
Foreign exchange movements	57	82	(275)	(105)
Other movements	52	(43)	93	33
At end of year/period	**3,766**	**4,591**	**4,742**	**4,717**

Deferred acquisition costs are expected to be recoverable over the mean term of the Group's insurance and investment contracts, and liability adequacy testing is performed at least annually to confirm their recoverability. Accordingly, the annual amortisation charge, which varies with investment performance for certain products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

18. FINANCIAL INVESTMENTS

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments.

The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers, and does not directly affect the profit for the period before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit for the period before tax is not affected by Unit-linked Investments, the investment return from such financial investments is included in the Group's profit for the period before tax, as the Group has elected the fair value option for all Unit-linked Investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group.

Policyholder and Shareholder Investments are further categorised as Participating Funds, other participating business with discretionary expected sharing with policyholders and underlying distinct investment portfolios ("Other Participating Business with distinct Portfolios") and Other Policyholder and Shareholder investments. Other Participating Business with distinct Portfolios refers to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.

The reason for separately analysing financial investments held by Participating Funds and Other Participating Business with distinct Portfolios is that Participating Funds are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends and for Other Participating Business with distinct Portfolios it is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The Group has elected the fair value option for debt and equity securities of Participating Funds. The Group's accounting policy is to record an insurance liability for the proportion of net assets of the Participating Funds that would be allocated to policyholders assuming all performance would be declared as a dividend based upon local regulations as at the date of the statements of financial position. As a result, the Group's net profit before tax for the period is impacted by the proportion of investment return that would be allocated to shareholders as described above. For Other Participating Business with distinct Portfolios, the Group either have discretion as to the timing or amount of additional benefits to the policyholders. The Group has elected the fair value option for equity securities and the available for sale classification of the majority of debt securities. The investment risk from Other Participating Business with distinct Portfolios directly impacts the Group's financial statements, but it is expected that a proportion of investment return may be allocated to policyholders through policyholder dividends.

Other Policyholder and Shareholder Investments are distinct from Unit-linked Investments, Participating Funds and Other Participating Business with distinct Portfolios as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders or it is not expected that the policyholder will receive at the discretion of the insurer additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The Group has elected to apply the fair value option for equity securities in this category and the available for sale classification in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. Although a proportion of investment return may be allocated to policyholders through policyholder dividends, the Group's accounting policy for insurance and certain investment contract liabilities utilises a net level premium methodology that includes best estimates as at the date of issue for non-guaranteed participation. To the extent investment return from these investments either is not allocated to participating contracts or varies from the best estimates, it will impact the Group's profit before tax.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss and "AFS" indicates financial investments classified as available-for-sale.

18.1 Debt securities

In compiling the tables below, external international issue ratings have been used in accordance with the Group's credit risk assessment framework. Where external international issue ratings are not readily available, external local issue ratings are used by mapping to external international ratings based on an internal rating methodology. Where there is no external international or local issue rating, the external credit rating of the issuer is used and if not available, the debt security is classified as not-rated.

Standard and Poor's and Fitch	Moody's	Internal ratings reported as
AAA	Aaa	AAA
AA+ to AA-	Aa1 to Aa3	AA
A+ to A-	A1 to A3	A
BBB+ to BBB-	Baa1 to Baa3	BBB
BB+ to BB-	Ba1 to Ba3	BB
B+ to B-	B1 to B3	B
CCC and below	Caa1 and below	Not rated

Debt securities by type comprise the following:

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2019					
Government bonds – issued in local currency					
United States	–	671	–	284	955
Japan	–	–	–	2,534	2,534
Thailand	–	–	–	11,155	11,155
Other	–	6	20	131	157
Sub-total	**–**	**677**	**20**	**14,104**	**14,801**
Government bonds – issued in foreign currency					
Belgium	–	59	–	–	59
Saudi Arabia	–	82	–	–	82
Mexico	–	–	–	61	61
Indonesia	–	19	–	19	38
Other	2	37	–	44	83
Sub-total	**2**	**197**	**–**	**124**	**323**
31 December 2019					
Government agency bonds[1]					
AAA	–	21	–	175	196
AA	5	70	–	343	418
A	–	14	–	141	155
BBB	–	4	–	134	138
Below investment grade	–	–	–	28	28
Not rated	–	–	–	26	26
Sub-total	**5**	**109**	**–**	**847**	**961**

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL	AFS	FVTPL	AFS	
Corporate bonds					
AAA	–	23	–	1	24
AA	22	233	–	112	367
A	34	3,026	23	1,847	4,930
BBB	3	3,306	–	3,580	6,889
Below investment grade	–	12	–	1,410	1,422
Not rated	–	47	–	70	117
Sub-total	**59**	**6,647**	**23**	**7,020**	**13,749**
Structured securities[2]					
AAA	–	70	–	2	72
AA	–	2	–	663	665
A	–	20	–	–	20
BBB	–	3	–	2	5
Below investment grade	–	5	–	3	8
Sub-total	**–**	**100**	**–**	**670**	**770**
Others					
Redeemable investment funds	–	–	–	313	313
Certificate of deposits	–	–	–	24	24
Others	–	–	–	5	5
Sub-total	**–**	**–**	**–**	**342**	**342**
Total[3]	**66**	**7,730**	**43**	**23,107**	**30,946**

Notes:

1 Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

2 Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

3 As at 31 December 2019, debt securities of US$3,745m and US$199m are restricted due to local regulatory requirements in Thailand and Macau, respectively.

	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
US$m	FVTPL	AFS	FVTPL	AFS	Total
31 December 2020					
Government bonds – issued in local currency					
United States	–	1,028	–	327	1,355
Japan	–	–	–	2,561	2,561
Thailand	–	–	–	12,903	12,903
Indonesia	–	–	–	133	133
Vietnam	–	7	–	38	45
Malaysia	–	–	23	71	94
Other	–	1	–	48	49
Sub-total	**–**	**1,036**	**23**	**16,081**	**17,140**
Government bonds – issued in foreign currency					
Qatar	–	53	–	9	62
Belgium	–	62	–	–	62
Mexico	–	–	–	64	64
Saudi Arabia	–	177	–	–	177
Indonesia	–	25	–	57	82
China	–	58	–	–	58
Other	3	58	–	49	110
Sub-total	**3**	**433**	**–**	**179**	**615**
Government agency bonds[1]					
AAA	–	12	–	10	22
AA	17	154	–	295	466
A	–	23	–	741	764
BBB	–	12	–	879	891
Below investment grade	–	–	–	28	28
Not rated	–	–	–	–	–
Sub-total	**17**	**201**	**–**	**1,953**	**2,171**
Corporate bonds					
AAA	–	86	–	7	93
AA	7	409	–	153	569
A	39	4,083	27	2,399	6,548
BBB	2	4,041	–	3,309	7,352
Below investment grade	–	85	–	1,291	1,376
Not rated	1	223	–	91	315
Sub-total	**49**	**8,927**	**27**	**7,250**	**16,253**

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL	AFS	FVTPL	AFS	
Structured securities[2]					
AAA	–	445	–	6	451
AA	–	95	–	659	754
A	–	71	–	16	87
BBB	–	39	–	20	59
Below investment grade	–	13	–	25	38
Not rated	–	–	–	2	2
Sub-total	**–**	**663**	**–**	**728**	**1,391**
Others					
Redeemable investment funds	–	–	–	260	260
Certificate of deposits	6	97	–	30	133
Others	–	1	4	–	5
Sub-total	**6**	**98**	**4**	**290**	**398**
Total[3]	**75**	**11,358**	**54**	**26,481**	**37,968**

Notes:

1 Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

2 Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

3 As at 31 December 2020, debt securities of US$4,065m and US$223m are restricted due to local regulatory requirements in Thailand and Macau, respectively.

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios FVTPL	AFS	Other policyholder and shareholder investments FVTPL	AFS	Total
31 December 2021					
Government bonds – issued in local currency					
United States	–	1,004	–	567	1,571
Japan	–	–	–	3,692	3,692
Thailand	–	–	–	11,195	11,195
Indonesia	–	–	–	173	173
Philippines	–	–	–	48	48
Malaysia	–	–	38	67	105
Other	–	8	–	28	36
Sub-total	**–**	**1,012**	**38**	**15,770**	**16,820**
Government bonds – issued in foreign currency					
Qatar	–	196	–	15	211
Belgium	–	54	–	–	54
Saudi Arabia	–	233	–	4	237
Indonesia	–	21	–	45	66
China	–	54	–	2	56
United Arab Emirates	–	242	–	8	250
Other	–	74	–	47	121
Sub-total	**–**	**874**	**–**	**121**	**995**
Government agency bonds[1]					
AAA	–	3	–	3	6
AA	–	305	–	150	455
A	–	151	–	662	813
BBB	–	39	–	668	707
Below investment grade	–	–	–	24	24
Sub-total	**–**	**498**	**–**	**1,507**	**2,005**

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder Investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2021					
Corporate bonds					
AAA	–	118	–	7	125
AA	–	529	–	112	641
A	–	4,561	38	1,988	6,587
BBB	–	4,146	–	2,360	6,506
Below investment grade	–	94	–	1,335	1,429
Not rated	–	141	–	156	297
Sub-total	**–**	**9,589**	**38**	**5,958**	**15,585**
Structured securities[2]					
AAA	–	317	–	2	319
AA	–	90	–	835	925
A	–	105	–	23	128
BBB	–	66	–	24	90
Below investment grade	–	21	–	16	37
Sub-total	**–**	**599**	**–**	**900**	**1,499**
Others					
Redeemable investment funds	–	–	–	237	237
Certificate of deposits	–	64	–	27	91
Others	–	–	3	–	3
Sub-total	**–**	**64**	**3**	**264**	**331**
Total[3]	**–**	**12,636**	**79**	**24,520**	**37,235**

Notes:

1 Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

2 Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

3 As at 31 December 2021, debt securities of US$3,656m and US$299m are restricted due to local regulatory requirements in Thailand and Macau, respectively.

	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		
US$m	FVTPL	AFS	FVTPL	AFS	Total
31 March 2022					
Government bonds – issued in local currency					
United States	–	1,089	–	493	1,582
Japan	–	–	–	3,265	3,265
Thailand	–	–	–	10,705	10,705
Indonesia	–	–	–	154	154
Philippines	–	–	–	49	49
Malaysia	–	–	37	65	102
Other	–	11	–	31	42
Sub-total	**–**	**1,100**	**37**	**14,762**	**15,899**
Government bonds – issued in foreign currency					
Qatar	–	177	–	3	180
Belgium	–	50	–	–	50
Saudi Arabia	–	211	–	4	215
Indonesia	–	6	–	43	49
China	–	51	–	2	53
United Arab Emirates	–	216	–	7	223
Other	–	119	–	52	171
Sub-total	**–**	**830**	**–**	**111**	**941**
Government agency bonds[1]					
AAA	–	–	–	3	3
AA	–	330	–	139	469
A	–	140	–	594	734
BBB	–	40	–	638	678
Below investment grade	–	–	–	23	23
Sub-total	**–**	**510**	**–**	**1,397**	**1,907**

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder Investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 March 2022					
Corporate bonds					
AAA	–	127	–	8	135
AA	–	520	–	217	737
A	–	4,376	37	1,781	6,194
BBB	–	4,074	–	2,309	6,383
Below investment grade	–	88	–	1,200	1,288
Not rated	–	129	–	18	147
Sub-total	**–**	**9,314**	**37**	**5,533**	**14,884**
Structured securities[2]					
AAA	–	318	–	3	321
AA	–	102	–	823	925
A	–	132	–	23	155
BBB	–	60	–	299	359
Below investment grade	–	6	–	13	19
Not rated	–	3	–	–	3
Sub-total	**–**	**621**	**–**	**1,161**	**1,782**
Others					
Redeemable investment funds	–	–	–	228	228
Certificate of deposits	–	63	–	25	88
Others	–	–	4	–	4
Sub-total	–	63	4	253	320
Total[3]	**–**	**12,438**	**78**	**23,217**	**35,733**

Notes:

1 Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

2 Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

3 As at 31 March 2022, debt securities of US$3,491m, US$372m and US$25m are restricted due to local regulatory requirements in Thailand, Macau and Indonesia, respectively.

As at 31 December 2019, 2020, 2021 and 31 March 2022, AFS debt securities of US$nil, US$429m, US$197m and US$801m are subject to repurchase and forward agreements, whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to the repurchase and forward agreements are not derecognised from the consolidated statements of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase and forward agreements, the Group is restricted from selling or pledging the transferred debt securities. Refer to Note 28 for additional information on the associated liabilities.

Debt securities classified at fair value through profit or loss are all designated at fair value through profit or loss.

18.2 Equity securities

Equity securities measured at fair value through profit and loss comprise the following:

US$m	Policyholder and shareholder Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 December 2019					
Equity shares	524	568	1,092	–	1,092
Interests in investment funds	1,166	250	1,416	1,603	3,019
Total	**1,690**	**818**	**2,508**	**1,603**	**4,111**

US$m	Policyholder and shareholder Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 December 2020					
Equity shares	811	563	1,374	–	1,374
Interests in investment funds	1,592	404	1,996	2,370	4,366
Total	**2,403**	**967**	**3,370**	**2,370**	**5,740**

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 December 2021					
Equity shares	1,587	938	2,525	–	2,525
Interests in investment funds	2,494	693	3,187	2,541	5,728
Total[1]	**4,081**	**1,631**	**5,712**	**2,541**	**8,253**

Note:

1 As at 31 December 2021, equity securities of US$12m are restricted due to local regulatory requirements in Macau.

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 March 2022					
Equity shares	1,531	909	2,440	–	2,440
Interests in investment funds	2,591	711	3,302	2,506	5,808
Total[1]	**4,122**	**1,620**	**5,742**	**2,506**	**8,248**

Note:

1 As at 31 March 2022, equity securities of US$19m are restricted due to local regulatory requirements in Macau.

18.3 Debt and equity securities

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Debt securities				
Listed	12,758	17,182	18,479	17,452
Unlisted	18,188	20,786	18,756	18,281
Total	30,946	37,968	37,235	35,733
Equity securities				
Policyholder and shareholder				
Listed	1,988	1,474	2,596	2,597
Unlisted	520	1,896	3,116	3,145
Unit-linked				
Listed	68	382	376	383
Unlisted	1,535	1,988	2,165	2,123
Total	4,111	5,740	8,253	8,248

18.4 Loans and deposits

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Policy loans	797	856	793	794
Secured loans	6	11	10	9
Accreting deposits and promissory notes	813	717	676	681
Term deposits	83	171	202	270
Other financial receivables	7	1	9	9
Provision for impairment	(5)	(2)	(2)	(2)
At end of year	**1,701**	**1,754**	**1,688**	**1,761**

Policy loans are stated at amortised cost, interest-bearing at market interest rates and repayable at the discretion of the policyholders as long as the interest plus the principal of the loans do not exceed the cash value. As at 31 December 2019, 2020, 2021 and 31 March 2022, the policy loans bear interest rates ranging from 3.3% to 10.0% per annum.

Accreting deposits and promissory notes are stated at amortised cost. As at 31 December 2019, 2020, 2021 and 31 March 2022, the accreting deposits and promissory notes bear interest rates ranging from 1.9% to 5.7% per annum, 1.9% to 5.7% per annum, 2.3% to 5.2% per annum and 2.3% to 5.2% per annum, respectively, and are repayable upon maturity.

Certain term deposits of US$11m, US$12m, US$17m and US$26m as at 31 December 2019, 2020, 2021 and 31 March 2022, respectively, are restricted due to local regulatory requirements.

19. DERIVATIVE FINANCIAL INSTRUMENTS

The following summarises the Group's derivative exposure:

US$m	Notional amount	Fair value Assets	Fair value Liabilities
31 December 2019			
Foreign exchange contracts			
Forwards	7,092	5	(97)
Cross-currency swaps	722	68	(40)
Total foreign exchange contracts	**7,814**	**73**	**(137)**
Interest rate swaps	**1,027**	**1**	**(30)**
Others			
Bond forward contracts	768	119	–
Total	**9,609**	**193**	**(167)**
31 December 2020			
Foreign exchange contracts			
Forwards	8,798	55	(82)
Cross-currency swaps	1,002	33	(48)
Total foreign exchange contracts	**9,800**	**88**	**(130)**
Interest rate swaps	**2,376**	**2**	**(12)**
Others			
Warrants and options	8	8	–
Bond forward contracts	1,340	82	(37)
Credit default swaps	1,500	–	(35)
Total	**15,024**	**180**	**(214)**
31 December 2021			
Foreign exchange contracts			
Forwards	9,113	44	(99)
Cross-currency swaps	1,108	8	(50)
Total foreign exchange contracts	**10,221**	**52**	**(149)**
Interest rate swaps	**9**	**1**	**–**
Others			
Warrants and options	9	42	–
Bond forward contracts	473	25	(8)
Total	**10,712**	**120**	**(157)**
31 March 2022			
Foreign exchange contracts			
Forwards	9,079	59	(242)
Cross-currency swaps	1,206	15	(34)
Total foreign exchange contracts	**10,285**	**74**	**(276)**
Interest rate swaps	**9**	**4**	**–**
Others			
Warrants and options	9	41	–
Bond forward contracts	364	12	(12)
Total	**10,667**	**131**	**(288)**

The Group's derivatives are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

Derivatives assets and derivative liabilities are recognised in the consolidated statements of financial position as financial assets at fair value through profit or loss and derivative financial liabilities, respectively. The Group's derivative contracts are established to economic hedge financial exposures. The Group adopts hedge accounting in limited circumstances. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the consolidated statements of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

Foreign exchange contracts

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on the foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied volatility of the underlying indices and the timing of payments.

Interest rate swaps

Interest rate contracts are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate contracts involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.

Other derivatives

Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Credit default swaps represent agreements under which the Group has purchased default protection on certain underlying corporate bonds held in its portfolio. These credit default swaps allow the Group to sell the protected bonds at par value to the counterparty if a default event occurs in exchange for periodic payments made by the Group for the life of the agreement.

As at 31 December 2021 and 31 March 2022, the Group has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. Refer to Note 35 for details.

Collateral under derivative transactions

As at 31 December 2019, the Group held cash collateral of US$168m for assets and pledged debt securities with a carrying value of US$649m for liabilities. As at 31 December 2020, the Group held cash collateral of US$112m and debt securities collateral with a carrying value of US$244m for assets and posted cash collateral of US$14m and debt securities with a carrying value of US$44m for liabilities. As at 31 December 2021, the Group held cash collateral of US$26m and debt securities collateral with a carrying value of US$59m for assets and posted cash collateral of US$23m and debt securities with a carrying value of US$19m for liabilities. As at 31 March 2022, the Group held cash collateral of US$14m and debt securities collateral with a carrying value of US$181m for assets and posted cash collateral of US$61m and debt securities with a carrying value of US$262m for liabilities. The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions. Further information relating to cash collateral is included in Note 21 and Note 28.

Derivatives designated as hedging instruments

The Group did not designate interest rate swaps in hedge relationships as at 31 December 2019. During the year ended 31 December 2020 and 2021 and three months ended 31 March 2021 and 2022, the Group designated interest rate swaps as cash flow hedges of variable rate interest payments arising from bank borrowings. The terms of the interest rate swaps have been negotiated to match the terms of the variable rate interest payments. As a result, these hedging relationships are considered highly effective at inception, 31 December 2020 and 2021 and 31 March 2022. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. As at 31 December 2020 and 2021, the fair value of the interest rate swaps liabilities designated as hedging instruments was US$4m, US$1m, respectively. As at 31 March 2022, the fair value of the interest rate swap asset designated as the hedging instrument was US$4m.

The Group has designated certain foreign exchange derivative liabilities with fair values of US$31m, US$30m, US$22m and US$21m as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, in cash flow hedges of foreign exchange risk. The Group has also designated certain bond forward derivative assets with fair values of US$12m, US$14m, US$3m and US$nil, and certain bond forward derivative liabilities with fair values of US$nil, US$37m, US$8m and US$1m, as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 31 December 2019, 2020 and 2021 and 31 March 2022.

20. FAIR VALUE MEASUREMENT

Fair value hierarchy

The fair value is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities recorded at fair value in the consolidated statements of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values ("Fair Value Hierarchy") as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities and debt securities.

- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include debt securities, equity securities, and derivative contracts.

- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 mainly include investment properties and private equity fund investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

20.1 Fair value measurements on a recurring basis

The Group measures investment properties, financial instruments classified at fair value through profit or loss, available for sale securities portfolios, derivative assets and liabilities, and investment contract liabilities at fair value on a recurring basis. The following methods and assumptions were used by the Group to estimate the fair value.

Debt securities and equity securities

Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates.

The fair values of listed equity securities are based on quoted market prices. The transaction price is used as the best estimate of fair value at inception. The fair values of unlisted private equity funds are based on the reported net assets value ("NAV") in their audited financial statements, considering various factors including the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing the investments, the Group's ownership percentage over the investee and other relevant factors.

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

Investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the investment properties at least on an annual basis. Investment properties are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the investment property is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use.

The fair values of the Group's investment properties are determined based on the discounted cash flow approach which may be used by reference to net rental income allowing for reversionary income potential to estimate the fair value. Other inputs that are taken into consideration include value of comparable property and adjustments for factors such as size, location, quality and prospective use. The fair value measurement of the Group's investment properties is classified as Level 3.

Investment contract liabilities

For investment contract liabilities without DPF, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured according to the Group practice for insurance contract liabilities. These are not measured at fair value as there is currently not an agreed definition of fair value for investment and insurance contracts with DPF under IFRS. In the absence of any agreed methodology, it is not possible to provide a range of estimates within which fair value is likely to fall.

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2019				
Recurring fair value measurements				
Non-financial assets				
Investment property	–	–	542	542
Financial assets				
Available for sale				
Debt securities	1,297	29,523	17	30,837
Government bonds	1,006	14,096	–	15,102
Government agency bonds	–	956	–	956
Corporate bonds	90	13,563	14	13,667
Structured securities	–	770	–	770
Others	201	138	3	342
At fair value through profit or loss				
Debt securities	–	109	–	109
Government bonds	–	22	–	22
Government agency bonds	–	5	–	5
Corporate bonds	–	82	–	82
Equity securities	2,056	733	1,322	4,111
Derivative financial instruments	–	193	–	193
Financial assets measured at fair value and held by discontinued operations	–	359	–	359
Total assets on a recurring fair value measurement basis	**3,353**	**30,917**	**1,881**	**36,151**
% of Total	*9%*	*86%*	*5%*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	–	–	184	184
Derivative financial instruments	–	167	–	167
Financial liabilities measured at fair value and held by discontinued operations	–	359	–	359
Total liabilities on a recurring fair value measurement basis	**–**	**526**	**184**	**710**
% of Total	*–%*	*74%*	*26%*	*100%*

US$m	Fair value hierarchy Level 1	Level 2	Level 3	Total
31 December 2020				
Recurring fair value measurements				
Non-financial assets				
Investment property	–	–	609	609
Financial assets				
Available for sale				
Debt securities	1,921	35,879	39	37,839
Government bonds	1,449	16,280	–	17,729
Government agency bonds	–	2,154	–	2,154
Corporate bonds	329	15,810	38	16,177
Structured securities	–	1,390	1	1,391
Others	143	245	–	388
At fair value through profit or loss				
Debt securities	–	125	4	129
Government bonds	–	26	–	26
Government agency bonds	–	17	–	17
Corporate bonds	–	76	–	76
Others	–	6	4	10
Equity securities	1,856	2,078	1,806	5,740
Derivative financial instruments	7	173	–	180
Financial assets measured at fair value and held by discontinued operations	–	400	–	400
Total assets on a recurring fair value measurement basis	**3,784**	**38,655**	**2,458**	**44,897**
% of Total	*8%*	*86%*	*6%*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	–	–	179	179
Derivative financial instruments	–	214	–	214
Financial liabilities measured at fair value and held by discontinued operations	–	378	–	378
Total liabilities on a recurring fair value measurement basis	**–**	**592**	**179**	**771**
% of Total	*–%*	*77%*	*23%*	*100%*

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2021				
Recurring fair value measurements				
Non-financial assets				
Investment property	–	–	663	663
Financial assets				
Available for sale				
Debt securities	2,613	34,483	60	37,156
Government bonds	1,778	15,999	–	17,777
Government agency bonds	–	2,005	–	2,005
Corporate bonds	713	14,774	60	15,547
Structured securities	–	1,499	–	1,499
Others	122	206	–	328
At fair value through profit or loss				
Debt securities	–	76	3	79
Government bonds	–	38	–	38
Corporate bonds	–	38	–	38
Others	–	–	3	3
Equity securities	2,971	2,191	3,091	8,253
Derivative financial instruments	3	80	37	120
Financial assets measured at fair value and held by discontinued operations	–	105	–	105
Total assets on a recurring fair value measurement basis	**5,587**	**36,935**	**3,854**	**46,376**
% of Total	*12%*	*80%*	*8%*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	–	–	151	151
Derivative financial instruments	–	157	–	157
Financial liabilities measured at fair value and held by discontinued operations	–	67	–	67
Total liabilities on a recurring fair value measurement basis	**–**	**224**	**151**	**375**
% of Total	*–%*	*60%*	*40%*	*100%*

US$m	Fair value hierarchy Level 1	Level 2	Level 3	Total
31 March 2022				
Recurring fair value measurements				
Non-financial assets				
Investment property	–	–	656	656
Financial assets				
Available for sale				
Debt securities	2,621	32,698	336	35,655
Government bonds	1,825	14,976	–	16,801
Government agency bonds	–	1,907	–	1,907
Corporate bonds	677	14,113	60	14,850
Structured securities	–	1,506	276	1,782
Others	119	196	–	315
At fair value through profit or loss				
Debt securities	1	73	4	78
Government bonds	–	36	–	36
Corporate bonds	–	37	–	37
Others	1	–	4	5
Equity securities	2,980	2,194	3,074	8,248
Derivative financial instruments	2	92	37	131
Total assets on a recurring fair value measurement basis	**5,604**	**35,057**	**4,107**	**44,768**
% of Total	*13%*	*78%*	*9%*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	–	–	140	140
Derivative financial instruments	–	288	–	288
Total liabilities on a recurring fair value measurement basis	**–**	**288**	**140**	**428**
% of Total	*–%*	*67%*	*33%*	*100%*

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022, there were no movements of financial assets between Level 1 and Level 2.

The Group's Level 2 financial instruments include debt securities, equity securities, and derivative instruments. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2019, 2020 and 2021 and 31 March 2022.

Level 3 assets and liabilities

US$m	Investment property	Debt securities	Equity securities	Investment contract liabilities without DPF
As at 1 January 2019	**306**	**7**	**943**	**(182)**
Net movement on investment contract liabilities	–	–	–	(2)
Total gains				
Reported under investment return in the consolidated income statements	6	–	62	–
Reported under fair value reserve and foreign currency translation reserve in the consolidated statements of comprehensive income	4	–	–	–
Purchases	226	10	329	–
Sales	–	–	(10)	–
Transfers out of Level 3	–	–	(2)	–
As at 31 December 2019	**542**	**17**	**1,322**	**(184)**
Change in unrealised gains/(losses) included in the consolidated income statements for assets and liabilities held at the end of the reporting period, under investment return and other expenses	6	–	62	–

US$m	Investment property	Debt securities	Equity securities	Investment contract liabilities without DPF
As at 1 January 2020	**542**	**17**	**1,322**	**(184)**
Net movement on investment contract liabilities	–	–	–	5
Total gains/(losses)				
Reported under investment return in the consolidated income statements	(8)	–	190	–
Reported under fair value reserve and foreign currency translation reserve in the consolidated statements of comprehensive income	31	2	–	–
Purchases	44	24	310	–
Settlements	–	–	(8)	–
Transfer out of level 3	–	–	(8)	–
As at 31 December 2020	**609**	**43**	**1,806**	**(179)**

US$m	Investment property	Debt securities	Equity securities	Investment contract liabilities without DPF
Change in unrealised gains/(losses) included in the consolidated income statements for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(8)	–	190	–

US$m	Investment property	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contract liabilities without DPF
As at 1 January 2021	**609**	**43**	**1,806**	**–**	**(179)**
Net movement on investment contract liabilities	–	–	–	–	28
Total gains/(losses)					
Reported under investment return in the consolidated income statements	(5)	–	547	37	–
Reported under fair value reserve and foreign currency translation reserve in the consolidated statements of comprehensive income	(68)	1	–	–	–
Purchases	117	25	847	–	–
Sales	–	(1)	(70)	–	–
Settlements	–	–	(16)	–	–
Impairment	–	(4)	–	–	–
Reclassifications	10	–	–	–	–
Transfer into level 3	–	4	–	–	–
Transfer out of level 3	–	(5)	(23)	–	–
As at 31 December 2021	**663**	**63**	**3,091**	**37**	**(151)**
Change in unrealised gains/(losses) included in the consolidated income statements for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(5)	–	539	37	–

US$m	Investment property	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contract liabilities without DPF
As at 1 January 2022	**663**	**63**	**3,091**	**37**	**(151)**
Net movement on investment contract liabilities	–	–	–	–	11
Total gains/(losses)					
Reported under investment return in the consolidated income statements	–	3	(3)	–	–
Reported under fair value reserve and foreign currency translation reserve in the consolidated statements of comprehensive income	(35)	(6)	–	–	–
Purchases	28	280	35	–	–
Sales	–	–	(24)	–	–
Settlements	–	–	(25)	–	–
As at 31 March 2022	**656**	**340**	**3,074**	**37**	**(140)**
Change in unrealised gains/(losses) included in the consolidated income statements for assets and liabilities held at the end of the reporting period, under investment return and other expenses	–	–	(9)	–	–

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in Note 24.

Assets transferred out of Level 3 mainly relate to equity securities of which market-observable inputs became available during the period and were used in determining the fair value.

Level 3 equity and debt securities

As at 31 December 2019, 2020 and 2021 and 31 March 2022, equity securities classified as level 3 mainly include unlisted private equity funds. As at 31 March 2022, debt securities classified as level 3 mainly include unlisted asset-backed securities. The Group determines the fair value of its holding in each such investment based on the reported NAV as set out in the underlying fund's annual audited financial statements and may make adjustments where appropriate taking into consideration various factors including accounting policies adopted by the fund, the restrictions and barriers preventing the Group from disposing of its interests in such fund and the Group's ownership percentage in such fund. For those funds where December year end audited financial statements are not available, the Group performs a roll forward analysis on the latest NAV of the fund based on fund managers' statements available and capital movements up to the December year end, and engages an external specialist to subsequently review the roll forward analysis. This valuation methodology is in accordance with guidelines of the International Valuation Standards Council. The Group considers that the change in the input to the valuation technique would not have a significant impact on the consolidated financial statements. No quantitative analysis has been presented.

Level 3 investment property

Under the discounted cash flow approach, both income and expenses over a certain number of years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the period is discounted at an appropriate rate of return. There were no changes to the valuation techniques during the years ended 2019, 2020 and 2021 and three months ended 31 March 2022.

The discount rates are estimated based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value. Occupancy rate is the aggregated leased area as a percentage of total leasable area. The higher the rate, the higher the fair value.

Significant unobservable inputs used in the discounted cash flow approach are disclosed as below.

	As at 31 December			As at 31 March
	2019	2020	2021	2022
Monthly market rental income (US$ per sq.m.)	60-566	63-595	60-960	60 - 960
Discount rate per annum	2.70%-5.40%	2.70%-5.40%	2.50%-5.50%	2.50%-5.50%
Occupancy rate	97% -100%	97%-100%	97%-100%	97%-100%

This valuation methodology is in accordance with guidelines of the International Valuation Standards Council.

Level 3 investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The discount rates used are 5.03%, 4.68%, 4.68% and 4.68% for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022, respectively. The higher the interest rates, the lower the fair value.

20.2 Fair value measurements for disclosure purpose

Fair values of financial assets and liabilities for disclosure purpose are determined using the same Fair Value Hierarchy.

Loans and deposits

For loans and deposits that are repriced frequently and have not had any significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rate offered for similar loans to borrowers with similar credit ratings. The fair values of fixed rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued.

Loans with similar characteristics are aggregated for purposes of the calculations. The carrying value of loans and receivables approximate to their fair values, except for accreting deposits.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Reinsurance receivables

The carrying amount of amounts receivable from reinsurers is not considered materially different to their fair value.

Other assets

The carrying amount of other financial assets is not materially different to their fair value.

Borrowings

The fair values of borrowings with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2019, 2020 and 2021 and 31 March 2022 is given below.

		Fair value hierarchy		
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2019				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	–	850	–	850
Total assets for which the fair value is disclosed	**–**	**850**	**–**	**850**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term/subordinated notes/guaranteed notes	1,776	–	–	1,776
Total liabilities for which the fair value is disclosed	**1,776**	**–**	**–**	**1,776**

		Fair value hierarchy		
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2020				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	–	681	–	681
Total assets for which the fair value is disclosed	**–**	**681**	**–**	**681**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term/subordinated notes	1,290	–	–	1,290
Total liabilities for which the fair value is disclosed	**1,290**	**–**	**–**	**1,290**

US$m	Level 1	Fair value hierarchy Level 2	Level 3	Total
31 December 2021				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	–	669	–	669
Total assets for which the fair value is disclosed	**–**	**669**	**–**	**669**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term/subordinated notes	1,265	–	–	1,265
Total liabilities for which the fair value is disclosed	**1,265**	**–**	**–**	**1,265**

US$m	Level 1	Fair value hierarchy Level 2	Level 3	Total
31 March 2022				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	–	640	–	640
Total assets for which the fair value is disclosed	**–**	**640**	**–**	**640**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term/subordinated notes	1,226	–	–	1,226
Total liabilities for which the fair value is disclosed	**1,226**	**–**	**–**	**1,226**

21. OTHER ASSETS

US$m	2019	As at 31 December 2020	2021	As at 31 March 2022
Insurance receivables due from insurance and investment contract holders	347	524	416	581
Accounts receivable[1]	42	355	129	170
Accrued investment income	238	234	234	329
Restricted cash	177	50	11	11
Deposits	28	30	27	26
Prepayments	55	80	98	103
Others	22	12	6	12
Total	**909**	**1,285**	**921**	**1,232**

Note:

1 Accounts receivable as at 31 December 2020 includes US$276m relating to the novation of the TMB distribution agreement which was settled in 2021. Refer to Note 12 for further details.

Accounts receivable as at 31 December 2019, 2020 and 2021 and 31 March 2022 also includes US$nil, US$9m, US$23m and US$61m, respectively, relating to the cash collateral posted for derivative liabilities.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, bank deposits of US$119m, US$48m, US$9m and US$9m were mainly from restrictions for use in accordance with the covenant requirements of bank borrowings. Refer to Note 27 for details of the bank borrowings. As at 31 December 2019, cash of US$58m was placed in an escrow account for the VCLI Acquisition. Refer to Note 5 for further details. As at 31 December 2020 and 2021 and 31 March 2022, US$2m was restricted for the IPPFA acquisition. Refer to Note 13 for further details.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period. An ageing analysis of insurance receivable has not been provided as all amounts are expected to be recovered within less than one year.

22. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December			As at 31 March
US$m	**2019**	**2020**	**2021**	**2022**
Cash	1,743	2,555	1,376	1,433
Cash equivalents	168	175	1,276	879
Total	**1,911**	**2,730**	**2,652**	**2,312**

The Company

	As at 31 December			As at 31 March
US$m	**2019**	**2020**	**2021**	**2022**
Cash	249	316	25	275
Cash equivalents	–	–	1,150	800
Total	249	316	1,175	1,075

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less.

23. INSURANCE CONTRACT LIABILITIES

The movements of insurance contract liabilities are shown as follows:

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
At beginning of year/period	**22,731**	**37,342**	**45,181**	**47,981**
Valuation premiums and deposits	4,822	7,583	9,165	2,510
Life insurance contracts[1]				
New business	1,494	2,534	3,404	899
In-force business	3,323	5,046	5,762	1,610
General insurance contracts[2]				
New business	43	47	11	5
In-force business	(38)	(44)	(12)	(4)
Expected investment return	482	831	1,149	156
Liabilities released for policy termination, or other policy benefits paid and related expenses	(2,552)	(4,053)	(4,647)	(1,317)
Life insurance contracts				
New business	(101)	(300)	(237)	(43)
In-force business	(2,460)	(3,745)	(4,407)	(1,275)
General insurance contracts				
New business	6	(4)	(1)	–
In-force business	3	(4)	(2)	1
Interest accrued and change in unit price	432	478	272	(57)
Impact of changes in assumptions	(16)	(7)	(15)	(2)
Acquisition of subsidiaries	10,569	2,621	–	–
Foreign exchange movements	779	517	(2,983)	(653)
Disposal of business	–	(80)	–	–
Other movements	95	(51)	(141)	(11)
At end of year/period	**37,342**	**45,181**	**47,981**	**48,607**

Notes:

1 Represents the portion of premiums received from life insurance contracts that are set aside to pay future insurance benefits.

2 Represents the change in unearned premiums for general insurance contracts.

Insurance contract liabilities comprise of following:

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Deferred profit	877	1,589	2,711	3,030
Unearned revenue	485	568	672	664
Policyholders' share of participating surplus	257	451	754	712
Liabilities for future policyholder benefits	35,723	42,573	43,844	44,201
Total	**37,342**	**45,181**	**47,981**	**48,607**

The following table summarises the key variables on which insurance and investment contract cash flows depend.

Type of contract	Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Traditional participating life assurance with DPF	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the timing or amount of which is at the discretion of the insurer taking into account factors such as investment experience.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	• Investment performance • Expenses • Mortality • Lapses • Morbidity • Dividend/ bonus rates	All
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations.	• Investment performance • Expenses • Mortality • Lapses • Morbidity • Partial withdrawals • Premium holidays	Emerging markets (Malaysia and Indonesia)
Traditional non-participating life	Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	• Mortality • Morbidity • Lapses • Expenses	All

Type of contract	Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Accident and health non-participating	These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover.	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole.	• Mortality • Morbidity • Lapses • Expenses	All
Universal Life	Universal Life contracts combine savings with protection. Account balances are credited with interest at a rate set by the insurer.	Benefits are based on the account balance and death and living benefits.	• Investment performance • Crediting rates • Lapses • Partial withdrawals • Premium holidays • Expenses • Mortality • Morbidity	Hong Kong, Emerging Markets (Vietnam only)
Unit-linked	Investment-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds.	Benefits are based on the value of the unitised funds and death and living benefits.	• Investment performance • Lapses • Partial withdrawals • Premium holidays • Expenses • Mortality • Morbidity	Hong Kong, Thailand, Emerging markets (Malaysia, Indonesia, Singapore, Vietnam and Philippines)

Methodology and assumptions

The most significant items to which profit or loss for the period and shareholders' equity are sensitive are market, insurance and lapse risks which are shown in the table below. Indirect exposure indicates that there is a second order impact. For example, whilst the profit or loss for the period attributable to shareholders is not directly affected by investment income earned where the investment risk is borne by policyholders (for example, in respect of unit-linked contracts), there is a second order effect through the investment management fees which the Group earns by managing such investments. The distinction between direct and indirect exposure is not intended to indicate the relative sensitivity to each of these items. Where the direct exposure is shown as being "net neutral", this is because the exposure to market and credit risk is offset by a corresponding movement in insurance contract liabilities.

	Market and credit risk			
	Direct exposure			
Type of contract	**Insurance contract liabilities**	**Risks associated with related investment portfolio**	**Indirect exposure**	**Significant insurance and lapse risks**
Traditional participating life assurance with DPF	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance	• Investment performance	• Persistency • Mortality • Morbidity
Takaful	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance	• Investment performance	• Persistency • Mortality • Morbidity • Partial withdrawals • Premium holidays
Traditional non-participating life assurance	• Investment performance • Asset-liability mismatch risk	• Asset-liability mismatch risk • Credit Risk • Investment performance	• Not applicable	• Mortality • Morbidity • Persistency
Accident and health non-participating	• Loss ratio Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Not applicable	• Morbidity • Persistency
Universal Life	• Guarantees • Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Spread between earned rate and crediting rate to policyholders	• Mortality • Persistency • Partial withdrawals • Premium holidays
Unit-Linked	• Net neutral	• Net neutral	• Performance-related investment management fees	• Mortality • Persistency • Partial withdrawals • Premium holidays

The Group is also exposed to foreign currency risk in respect of its operations, and to interest rate risk, credit risk and equity price risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance contract holders on non-participating business. Expense assumptions applied in the Group's actuarial valuation models assume a continuing level of business volumes.

Valuation interest rates

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the range of applicable valuation interest rates for traditional insurance contracts, which vary by operating segment, year of issuance and products, within the first 20 years are as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
Hong Kong	2.53%- 7.07%	0.40% -7.07%	-0.12%-7.07%	-0.12%-7.07%
Thailand	1.75%-4.79%	1.75%-4.79%	1.75%-4.79%	1.75%-4.79%
Japan	0.14%-1.27%	-1.47%-1.40%	-1.47%-1.41%	-1.47%-1.41%
Singapore	1.73%-2.65%	2.15%-2.65%	2.15%-3.00%	2.15%-3.00%
Malaysia	3.02%-3.83%	1.76%-3.53%	1.88%-4.03%	2.05%-4.43%
Indonesia	5.50%-6.50%	5.41%-7.62%	1.80%-7.62%	1.80%-7.62%
Philippines	2.70%-4.05%	2.70%-4.05%	2.70%-4.52%	2.70%-4.52%
Vietnam	3.45%-6.50%	2.70%-6.50%	2.17%-6.50%	2.22%-6.50%

24. INVESTMENT CONTRACT LIABILITIES

	As at 31 December			As at 31 March
US$m	**2019**	**2020**	**2021**	**2022**
At beginning of year/period	316	314	300	217
Premium received	5	4	3	1
Surrenders and withdrawals	(22)	(35)	(82)	(8)
Interest accrual and change in unit price	14	16	(3)	(4)
Others	1	1	(1)	(1)
At end of year/period	**314**	**300**	**217**	**205**

25. EFFECT OF CHANGES IN ASSUMPTIONS AND ESTIMATES

The table below sets out the sensitivities of the assumptions in respect of insurance and investment contracts to key variables. This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, and deferred acquisition costs and does not allow for offsetting movements in the fair value of financial assets backing those liabilities.

	As at 31 December			As at 31 March
US$m	**2019**	**2020**	**2021**	**2022**
(Increase)/decrease in insurance contract liabilities, increase/(decrease) in equity and profit before tax				
0.5% increase in investment return	4	8	3	2
0.5% decrease in investment return	(4)	(7)	(5)	(3)
10% increase in expenses	(66)	(96)	(79)	(19)
10% increase in mortality	(14)	(20)	(27)	(7)
10% increase in morbidity	(20)	(31)	(39)	(10)
10% increase in lapse/discontinuance rates	(111)	(141)	(144)	(34)

Future policy benefits for traditional life insurance policies (including investment contracts with DPF) are calculated using a net premium valuation method with reference to best estimate assumptions set at policy inception date unless a deficiency arises on liability adequacy testing. There is no impact of the above assumptions sensitivities on the carrying amount of traditional life insurance liabilities as the sensitivities presented would have not triggered a liability adequacy adjustment. During the years presented there was no effect of changes in assumptions and estimates on the Group's traditional life products.

For interest sensitive insurance contracts, such as universal life products and unit-linked contracts, assumptions are made at each reporting date including mortality, persistency, expenses, future investment earnings and future crediting rates.

The impact of changes in assumptions on the valuation of insurance and investment contracts was US$9m, US$5m, US$17m and US$2m increase in profit for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022, respectively.

26. DEFERRED CEDING COMMISSION

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
At beginning of year/period	**538**	**724**	**990**	**1,052**
Commission income deferred during the year/period	277	375	325	89
Amortisation during the year/period	(95)	(141)	(177)	(46)
Foreign exchange difference	4	32	(86)	(47)
At end of year/period	**724**	**990**	**1,052**	**1,048**

The annual amortisation charge, which varies for certain products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

27. BORROWINGS

US$m	*Notes*	As at 31 December 2019	2020	2021	As at 31 March 2022
Bank borrowings		2,223	2,234	988	989
Medium term notes		323	323	324	324
Subordinated notes		902	900	900	900
Subtotal		**3,448**	**3,457**	**2,212**	**2,213**
Guaranteed notes of the Financing Entities[1]	*1.2*	498	–	–	–
Total		**3,946**	**3,457**	**2,212**	**2,213**

Note:

1 On 23 December 2020, the Company transferred its shareholding in the Financing Entities to PCGI Holdings Limited by way of capitalisation as part of the Reorganisation. Refer to Note 1.2 for further details.

Interest expense on borrowings is shown in Note 8. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 31.

Outstanding bank borrowings and notes placed to the market as at 31 March 2022:

Issue date	Nominal amount	Interest rate	Tenor
Bank borrowings			
30 December 2021	US$1,000m	LIBOR + 1.275%	3 years
Medium term notes			
24 September 2014	US$325m	5.00%	10 years
Subordinated notes			
9 July 2019	US$550m	5.75%	5 years
23 July 2019	US$250m	5.75%	5 years
30 July 2019	US$100m	5.75%	5 years

During the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022, the Group has issued the following borrowings and settled or transferred to PCGI Holdings Limited:

Issue date	Nominal amount	Interest rate	
Bank borrowings			
31 July 2018[2]	US$275m	LIBOR + 2%	Settled
4 February 2019[3]	US$175m	LIBOR + 2%	Settled
6 March 2020[1]	US$800m	LIBOR + 1.5%	Transferred
23 October 2020	US$440m	Base rate + 0.4%	Settled
13 September 2019[4]	US$1,800m	LIBOR + 1.5%	Settled
Guaranteed notes			
28 October 2019[1]	US$250m	4.75%	Transferred
22 November 2019[1]	US$250m	5.50%	Transferred

Notes:

1 The bank borrowing and guaranteed notes were transferred to PCGI Holdings Limited at total carrying value of US$1,296m as part of the Reorganisation disclosed in Note 1.2.2.

2 On 26 July 2021, the Group settled a US$275m bank borrowing on its scheduled maturity date.

3 On 10 August 2021, the Group voluntarily settled a US$175m bank borrowing before its scheduled maturity date.

4 On 30 December 2021, the Group voluntarily settled a US$1,800m bank borrowing before its scheduled maturity date.

These medium-term notes, subordinated notes and guaranteed notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes, subordinated notes, guaranteed notes and the bank credit facilities are used for acquisitions, general corporate purposes and funding requirements of the Group.

As at 31 December 2021 and 31 March 2022, the Group has access to a US$500m undrawn committed revolving credit facility. The credit facility is unsecured and with a term of three years expiring in 2024. The credit facilities will be used for general corporate purposes. There were no undrawn credit facilities as at 31 December 2019 and 2020.

28. OTHER LIABILITIES

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Trade and other payables[1]	1,179	1,510	1,406	1,341
Reinsurance-related payables	426	385	358	437
Distribution agreement payable	599	686	556	56
Lease liabilities	130	145	128	124
Obligations under repurchase and forward arrangements	–	429	191	765
Subtotal	**2,334**	**3,155**	**2,639**	**2,723**
Payable to a related party[2]	60	–	–	–
Total	**2,394**	**3,155**	**2,639**	**2,723**

Notes:

1 Other payables as at 31 December 2020 includes US$22m relating to the novation of the TMB distribution agreement which was settled in 2021. Refer to Note 12 for further details. Other payables as at 31 December 2019, 2020 and 2021 and 31 March 2022 also includes US$168m, US$112m, US$26m and US$14m, respectively, relating to the cash collateral held for derivative assets.

2 Payable to a related party was novated to PCGI Holdings Limited as part of the Reorganisation. Refer to Note 1.2 for further details.

All trade and other payables and reinsurance-related payables are generally expected to be settled within 12 months after the end of the reporting period. Accordingly, no ageing analysis has been provided.

Distribution agreement payable represents the deferred payments to be paid in accordance with the terms set out in the SCB Distribution Agreement and the Vietcombank Distribution Agreement. Refer to Note 5.1 for further details.

The total cash outflow for leases for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 was US$52m, US$58m, US$64m, US$16m and US$13m, respectively.

During the years ended 31 December 2020 and 2021 and three months ended 31 March 2022, the Group has entered into repurchase and forward agreements whereby certain debt securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. Refer to Note 18.1 for details.

29. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

29.1 Share capital and share premium

	Number of ordinary shares	Share capital nominal value *US$m*	Share premium *US$m*	Total share capital and share premium *US$m*
Authorised:				
Ordinary shares of US$1 each as at 31 December 2019 and 2020	25,000,000	25	–	25
Share Split	2,475,000,000	–	–	–
Ordinary shares of US$0.01 each as at 31 December 2021 and 31 March 2022	2,500,000,000	25	–	25
Issued and fully paid:				
Ordinary shares of US$1 each as at 1 January 2019 and 31 December 2019	1,000,010	1	479	480
Issue of ordinary shares pursuant to Reorganisation *(Note 1.2.2)*	18,486,640	18	1,831	1,849
Capitalisation for the Transfer and Novation of Borrowings and Related Party Balances pursuant to Reorganisation *(Note 1.2.2)*	–	–	1,716	1,716
Ordinary shares of US$1 each as at 31 December 2020	19,486,650	19	4,026	4,045
Issue of ordinary shares	229,415,581	4	1,985	1,989
Share Split	2,141,321,292	–	–	–
Share Surrender	(1,514,065,560)	(15)	–	(15)
Ordinary shares of US$0.01 each as at 31 December 2021	876,157,963	8	6,011	6,019
Issue of ordinary shares	31,897,926	1	191	192
Ordinary shares of US$0.01 each as at 31 March 2022	908,055,889	9	6,202	6,211

Share capital and share premium as at 1 January 2019 and 31 December 2019 represents the combined share capital and share premium of the Company and PCGI Limited prior to the Merger. Refer to Note 1.2 for details.

On 13 May 2021, the Company issued 2,142,858 ordinary shares with par value of US$1 each to PCGI Holdings Limited at a consideration of US$600m.

On 20 August 2021, the Company effected a share split of all of the Company's issued and outstanding ordinary shares on a 1-for-100 basis ("Share Split"), pursuant to which the par value of each ordinary share was adjusted from US$1 to US$0.01. On the same date, PCGI Holdings Limited surrendered 1,514,065,560 ordinary shares of US$0.01 each for nil consideration pursuant to a form of surrender letter ("Share Surrender"). Accordingly, the par value of the ordinary shares surrendered at an amount of US$15m was transferred from share capital to capital redemption reserve. The Share Split and Share Surrender effectively resulted in a 1-for-30 split of the Company's issued ordinary shares.

In December 2021, the Company issued 227,272,723 ordinary shares with par value of US$0.01 each to PCGI Holdings Limited and other investors at a net consideration of US$1,389m.

In January 2022, the Company issued 31,897,926 ordinary shares with par value of US$0.01 each to investors at a net consideration of US$192m.

29.2 Reserves

(a) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

(b) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

(c) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative gain or loss on the hedging instruments from the inception of the cash flow hedges.

(d) Other reserves

Other reserves mainly include capital redemption reserve and share-based compensation reserve.

29.3 Perpetual securities

FL and FGL issued the following perpetual securities:

Issue date	Nominal amount	Distribution rate	Tenor
24 January 2017[2]	US$250m	6.250%	Perpetual
15 June 2017	US$500m	*Note 1*	Perpetual
6 July 2017	US$250m	*Note 1*	Perpetual
1 February 2018	US$200m	5.500%	Perpetual
16 September 2019	US$600m	6.375%	Perpetual

Notes:

1 0% for first 5 years, then US treasury benchmark rate +4.865% afterwards.

2 On 24 January 2022, the Group redeemed the US$250m 6.25% perpetual securities. The redemption price is composed of the outstanding principal amount together with distributions accrued to such date. The difference between the carrying amount of the redeemed perpetual securities and the cash paid upon redemption of US$2m was recognised in accumulated losses on the date of redemption.

Carrying amount of the perpetual securities:

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
24 January 2017	255	255	255	–
15 June 2017	360	360	360	360
6 July 2017	179	179	179	179
1 February 2018	203	203	203	200
16 September 2019	611	610	610	600
	1,608	1,607	1,607	1,339

FL and FGL may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, FL and FGL cannot declare or pay any dividend on its ordinary or preference share capital, except if payments are declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, or consultants. The perpetual securities have been treated as equity in the Group's consolidated statements of financial position. FL and FGL use the proceeds from the issuance for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness.

During the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, the Group paid distributions of US$27m, US$65m, US$65m, US$32m and US$33m, respectively.

29.4 Non-controlling interests

Non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company.

Equity of the Group attributable to non-controlling interests are presented as below:

				As at
		As at 31 December		31 March
US$m	**2019**	**2020**	**2021**	**2022**
Ordinary shares, preference shares and convertible preference shares of FL and FGL	966	1,713	1,692	1,226
Ordinary shares of the subsidiaries of FL and FGL	38	7	1	1
	1,004	1,720	1,693	1,227

The key terms of the preference shares and convertible preference shares are summarised below.

(a) Preference shares

Preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of preference shares are entitled to the same voting rights as each ordinary share in FL and FGL.

The preference shares rank pari passu with all other shares on any payment of dividend or distribution or return of capital (other than on a liquidation event). On a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the preference shareholders pari passu with the holders of the convertible preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

(b) Convertible preference shares

Convertible preference shares issued by FL and FGL do not have fixed maturity, participate in discretionary dividends and are redeemable within the control of the Group. The holders of convertible preference shares are not entitled to attend or vote at general meetings of FL and FGL.

The convertible preference shares rank pari passu with all other shares, with the exception that (i) on any payment of a dividend or distribution or return of capital (other than on a liquidation event), certain holders of the convertible preference shares shall have the benefit of an increased entitlement to such dividend or distribution and (ii) on a liquidation event, the assets of FL and FGL available for distribution amongst the shareholders shall be applied to pay the convertible preference shareholders pari passu with the holders of the preference shares (in priority to any payment to the holders of any other class of shares in the capital of FL and FGL).

The convertible preference shares do not contain any contractual obligations to deliver cash, other financial assets, or a variable number of the Group's own equity instruments which cannot be unconditionally avoided by the Group. Accordingly, the convertible preference shares are classified as equity and presented as non-controlling interests in the Group's consolidated financial statements.

29.5 Transactions with non-controlling interests

During the year ended 31 December 2019, FL and FGL issued an aggregate of 379,402 convertible preference shares with a par value of US$0.01 each to PCGI Limited and the Company for a total consideration of US$60m. In addition, FL and FGL also issued an aggregate of 505,870 convertible preference shares with a par value of US$0.01 each to non-controlling shareholders for a total consideration of US$80m.

During the year ended 31 December 2020:

i. on 14 February 2020, PCGI Limited and the Company acquired an aggregate of 420,084 convertible preference shares issued by FL and FGL, respectively, for a total consideration of US$101m;

ii. FL and FGL issued Zero Coupon Subordinated Capital Securities (the "Mandatory Convertible Securities") to PCGI Limited and the Company for an aggregate cash consideration of US$1,512m, and an existing shareholder for an aggregate cash consideration of US$210m. Subsequently, PCGI Limited and the Company transferred their Mandatory Convertible Securities of an aggregate principal amount of US$2m to another existing shareholder for nil consideration. On 23 October 2020, each of FL and FGL issued 4,774,750 and 670,664 convertible preference shares with a par value of US$0.01 each, to PCGI Limited (in relation to FL), the Company (in relation to FGL) and the non-controlling shareholders, respectively, in consideration for the transfer of the Mandatory Convertible Securities of an aggregate principal amount of US$1,722m to FL and FGL. FL and FGL subsequently cancelled all US$1,722m of the Mandatory Convertible Securities. These convertible preference shares have substantially the same terms as previously issued convertible preference shares and are accounted for as equity instruments of FL and FGL.

iii. on 27 October 2020, PCGI Limited and the Company transferred an aggregate of 4,146,538 convertible preference shares issued by FL and FGL to an existing convertible preference shareholder for a total consideration of US$680m;

iv. on 29 December 2020, FL and FGL issued an aggregate of 2,339,568 convertible preference shares with a par value of US$0.01 for a total consideration of US$370m to the Company. These convertible preference shares have substantially the same terms as previously issued convertible preference shares and are accounted for as equity instruments of FL and FGL; and

v. the Group also acquired an additional interest in the common shares of FWD Life Insurance Public Company Limited ("FWD Thailand") from existing minority shareholders for a total cash consideration of US$22m. As a result, the Group has a total of 99.96% effective ownership interest in FWD Thailand.

During the year ended 31 December 2021:

i. on 20 April 2021, the Company transferred an aggregate of 2,439,934 convertible preference shares issued by FL and FGL to an existing convertible preference shareholder for a total consideration of approximately US$400m;

ii. on 14 May 2021, FL and FGL issued an aggregate of 9,392,856 ordinary shares with a par value of US$0.01 for an aggregate consideration of US$1,315m to the Company.

iii. On 21 December 2021, the Company made a capital contribution of US$250m to FGL. No shares were issued by FGL as a result of the transaction.

During the period ended 31 March 2022:

i. On 3 January 2022, the Company made a capital contribution of US$250m to FL. No shares were issued by FL as a result of the transaction.

ii. On 14 March 2022, the Company made a capital contribution of US$20m to FGL. No shares were issued by FGL as a result of the transaction.

30. GROUP CAPITAL STRUCTURE

Capital Management Approach

The Group's capital management objectives focus on maintaining a strong capital base to support the development of the business, maximising shareholders' value and satisfying regulatory capital requirements at all times.

The Group's capital management activity considers all capital-related activities of the Group and assists senior management in making capital decisions. The capital management activity includes participation in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes.

Group-wide Supervision Framework

The group supervisor of the Group is the Hong Kong Insurance Authority ("HKIA"). The Group is in compliance with the group capital adequacy requirements as applied to it.

In 2021, the HKIA implemented the new Group-wide Supervision ("GWS") framework, under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of insurance groups that are designated. The Group has been subject to the GWS framework since 14 May 2021, when FWD Management Holdings Limited, a subsidiary of the Group, was determined to be our designated insurance holding company ("DIHC").

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules ("Group Capital Rules"), as applied to the Group under transitional arrangements that have been agreed with the HKIA.

Local Regulatory Solvency

The Group's individual subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which the subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated. The various regulators monitor our local solvency positions. The Group has been in compliance with the solvency and capital adequacy requirements applied by its regulators at all times.

The primary insurance regulators for the Group's key operating companies are:

Subsidiary	Primary insurance regulator	Solvency regulation
FWD Life Insurance Company (Bermuda) Limited	Insurance Authority ("HKIA")	Hong Kong Insurance Ordinance ("HKIO")
FWD Life Insurance Public Company Limited	Thailand Office of Insurance Commission ("THOIC")	Life Insurance Act of Thailand
SCB Life Assurance Public Company Limited	Thailand Office of Insurance Commission ("THOIC")	Life Insurance Act of Thailand
FWD Life Insurance Company, Limited	Financial Services Agency ("FSA")	Insurance Business Act

The HKIA (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. The HKIA requires FWD Life Insurance Company (Bermuda) Limited to maintain an excess of assets over liabilities of not less than the required minimum solvency margin. The amount required under the HKIO is 100 per cent of the required minimum solvency margin.

The Life Insurance Act of Thailand (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Thailand. The Life Insurance Act of Thailand requires FWD Life Insurance Public Company Limited and SCB Life to maintain a required minimum solvency margin of 100%.

The Enforcement Ordinance of the Insurance Business Act and Comprehensive Guidelines for Supervision of Insurance Companies sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Japan. The Comprehensive Guidelines for Supervision of Insurance Companies Section II-2-2-2 requires FWD Life Insurance Company, Limited to maintain a required minimum solvency margin ratio of 200%.

The capital positions of the Group's key operating companies at 31 December 2019, 2020 and 2021 is as follows:

	As at 31 December								
	2019			2020			2021		
US$m	Total available capital	Regulatory minimum capital	Solvency Ratio	Total available capital	Regulatory minimum capital	Solvency Ratio	Total available capital	Regulatory minimum capital	Solvency Ratio
FWD Life Insurance Company (Bermuda) Limited	1,183	369	321%	1,279	442	290%	1,565	531	295%
FWD Life Insurance Public Company Limited[1]	460	137	335%	1,730	397	436%	1,467	450	326%
SCB Life Assurance Public Company Limited[1]	1,146	286	401%	–	–	–%	–	–	–%
FWD Life Insurance Company, Limited[2]	986	189	1,043%	1,219	212	1,151%	1,192	181	1,319%

Notes:

1 On 1 October 2020, SCB Life Assurance Public Company Limited and FWD Life Insurance Public Company Limited amalgamated. The amalgamated company is named FWD Life Insurance Public Company Limited

2 On 2 November 2021, FWD Fuji Life Insurance Company, Limited is renamed as FWD Life Insurance Company, Limited

For these purposes, the Group defines total available capital as the amount of assets in excess of liabilities measured in accordance with the relevant local regulations and "regulatory minimum capital" as the minimum required margin of solvency calculated in accordance with the relevant local regulations. The solvency ratio is the ratio of total available capital to regulatory minimum capital.

Subsidiary dividend restrictions and restricted net assets

The Company's ability to distribute dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. These distributions may be subject to restrictions, specifically related to the need by local insurance regulators for certain subsidiaries to maintain specific capital or solvency levels, and the need to meet other specific local regulations such as those relating to legal capital levels or foreign exchange restrictions.

Payments of dividends to the Company by its insurance subsidiaries are subject to certain restrictions imposed by the relevant regulatory authorities. With respect to the insurance subsidiaries, the payment of any dividend may require formal approval from the relevant insurance regulator in the particular jurisdiction that the subsidiary is domiciled.

Capital and Regulatory Orders Specific to the Group

At 31 December 2019, 2020 and 2021 and 31 March 2022, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Insurance Authority

Undertakings have been given to the HKIA that:

i) FWD Life Insurance Company (Bermuda) Limited will maintain and continue to maintain a solvency ratio target of 150% to 200% at all times and if the solvency ratio falls below the minimum target range, FWD Life Insurance Company (Bermuda) Limited will reinstate it within 90 days or a period of time as agreed with the HKIA; and

ii) Prior written consent from the HKIA will be obtained before declaring or paying dividends to shareholders.

31. RISK MANAGEMENT

Risk management framework

The Group's Risk Management Framework has been established for the identification, evaluation and management of the key risks faced by the organisation within its stated Risk Appetite. The framework includes an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial and non-financial risks.

The Group issues contracts that transfer insurance risks, financial risks or both. The insurance risks and financial risks associated with the Group's operations and the Group's management of these risks are summarised below:

Insurance risks

Life insurance contracts

Insurance risks comprise product design risk, underwriting and expense overrun risk, lapse risk and claims risk.

(a) Product design risk

Product design risk refers to potential defects in the development of a particular insurance product. The Group manages product design risk through its product approval process where products are reviewed against pricing, design and operational risk parameters. New products and product enhancements are reviewed and approved by the Group Chief Actuary.

The Group closely monitors the performance of new products and actively manages the product portfolio to minimise risks in the in-force book and new products. A portion of the Group's life insurance business is participating in nature. In the event of a volatile investment environment and/or unusual claims experience, the Group has the option of adjusting non-guaranteed bonuses and dividends payable to policyholders.

(b) Underwriting and expense overrun risk

Underwriting and expense overrun risk refers to the possibility of product-related income being inadequate to support future obligations arising from an insurance product. The Group manages underwriting risk by adhering to underwriting guidelines. Each operating unit maintains a team of professional underwriters who review and select risks that are consistent with the underwriting strategy of the Group. In certain circumstances where insufficient experience data is available, the Group makes use of reinsurers to obtain underwriting expertise. In pricing insurance products, the Group manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium-to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed to control expenses.

(c) Lapse risk

Lapse risk refers to the possibility that lapse experience diverges from that assumed when products were priced. It includes potential financial loss due to early termination of contracts where the acquisition costs incurred may not be recoverable from future revenue. The Group carries out regular reviews of persistency experience. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees on early termination by the policyholder, thereby reducing exposure to lapse risk.

(d) Claims risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced. The Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of these on product design, pricing and reinsurance needs.

Reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes. Although the Group has reinsurance arrangements in place, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Non-life insurance contracts

The Group's non-life insurance business is diversified over various classes of business. The Group has developed a robust underwriting framework to ensure that all risks accepted meet the guidelines and standards of the Group.

The Group's non-life insurance business is primarily derived from Singapore. The Group's non-life business in Hong Kong was disposed during 2020. The Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance programme is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of the Group's reinsurance strategy include protection of shareholders' funds, reduction in volatility of the Group's underwriting result and diversified credit risk. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance strategy, ascertaining suitable allowance for impairment of reinsurance assets.

(a) Case estimates

For non-life insurance contracts, the case estimate for each reported claim is set up based on the best estimate of the ultimate claim settlement amount considering all the information available for the claim. The case estimate is revised from time to time according to the latest information available. When setting case estimates for larger claims, reference is made to the advice of independent consultants such as loss adjusters and solicitors where applicable.

(b) Key assumptions

Generally accepted actuarial methodologies, such as chain-ladder and Bornhuetter-Ferguson methods, are used to project the ultimate claims by class of business. The Group's past experience and claim development patterns are important assumptions for such projections. Other assumptions include average claim costs, claims handling expenses and claims inflation. The projected ultimate claim amount may also be judgmentally adjusted by external factors such as prevailing trends in judicial decisions, the economic environment and relevant government legislation.

Concentration risk

Concentration risk is managed at the Group level and within each Business Unit. The Group will determine concentration limits and then cascades these to the Business Units. Limits are set for single issuers, groups of related issuers, country of risk, sectors and currencies. The Group's investment system maintains a set of rules monitoring such limits. Violations of such rules trigger alerts or pre-trade approvals depending on materiality. The investment team works with external managers to ensure asset exposures stay within the stated limits. Exposures exceeding limits needs to be tabled at the relevant Business Unit's or the Group's Asset and Liability Management Committee or Investment Committee. These committees decide the course of action required to address limit violations should they occur. Limit monitoring takes place at both the Group level and Business Unit level. Asset concentration reports are tabled at the relevant committees.

The Group actively assesses and manages concentration of insurance risk, either geographical or product concentration risk, of the Group's operations, as below:

i. Concentration of insurance risk arises from a lack of geographical and product diversification within the Group's insurance portfolio, and could result in significant financial losses in the case certain events exhibiting geographical and/or product concentrations occur and give rise to higher levels of claims;

ii. From a geographical standpoint, because the Group operates across multiple markets, its results of operations are not substantially dependent on any one of its individual markets. Such regional footprint provides a natural benefit of geographical diversification of insurance and other risks associated with the Group's operations (e.g., regulatory, competitive and political risks of a localised and single-market nature);

iii. From a product exposure standpoint, despite the Group's primary focus on long-term life insurance, it has a range of product offerings with different extent and nature of risk coverage, e.g., participating, critical illness, unit-linked, term life and medical. This naturally also reduces the Group's exposures to concentrations of mortality or morbidity risk;

iv. Concentrations of risk are managed within each market through the monitoring of product sales and size of the in-force book by product group. As a result of the Group's growing operating history and scale, a substantial amount of experience data has been accumulated which assists in evaluation, pricing and management of insurance risk; and

v. In addition, reinsurance solutions are used to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes, and the Group has developed a reinsurance strategy to ensure that a prudent and appropriate reinsurance programme is in place, which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones.

Financial risks

The Group is exposed to a range of financial risks, including credit risk, market risk, and liquidity risk. The Group applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

The following section summarises the Group's key risk exposures and the primary policies and processes used by the Group to manage its exposures to these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Although the primary source of credit risk is the Group's investment portfolio, credit risk also arises in reinsurance, settlement and treasury activities.

The level of credit risk the Group accepts is managed and monitored by the Asset and Liability Management Committee, through establishment of an exposure limit for each counterparty or group of counterparties, reporting of credit risk exposures, monitoring compliance with exposure limits, and a regular review of limits due to changes in the macro-economic environment.

The Group actively manages its investments to ensure that there is no significant concentration of credit risk.

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the tenor of the Group's liabilities and assets, or any difference between the return on investments and the return required to meet the Group's commitments, predominantly its traditional insurance liabilities. This exposure is heightened in products with inherent interest rate options or guarantees.

The Group seeks to manage interest rate risk by ensuring appropriate product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is not possible to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by the Asset and Liability Management Committee of the Group. The duration of interest bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2019				
Financial assets				
Debt securities	1,466	29,164	316	30,946
Cash and cash equivalents	942	–	969	1,911
Loans and deposits	797	897	7	1,701
Equity securities	–	–	4,111	4,111
Derivative financial instruments	–	–	193	193
Reinsurance receivables	–	–	484	484
Accrued investment income	–	–	238	238
Other assets	119	–	497	616
Total financial assets	**3,324**	**30,061**	**6,815**	**40,200**
Financial liabilities				
Borrowings	2,223	1,723	–	3,946
Other liabilities	–	729	1,665	2,394
Derivative financial instruments	–	–	167	167
Total financial liabilities	**2,223**	**2,452**	**1,832**	**6,507**

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2020				
Financial assets				
Debt securities	2,021	35,696	251	37,968
Cash and cash equivalents	1,713	–	1,017	2,730
Loans and deposits	83	1,670	1	1,754
Equity securities	–	–	5,740	5,740
Derivative financial instruments	–	–	180	180
Reinsurance receivables	–	–	383	383
Accrued investment income	–	–	234	234
Other assets	48	–	923	971
Total financial assets	**3,865**	**37,366**	**8,729**	**49,960**

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
Financial liabilities				
Borrowings[1]	–	3,457	–	3,457
Other liabilities	–	1,272	1,883	3,155
Derivative financial instruments	–	–	214	214
Total financial liabilities	**–**	**4,729**	**2,097**	**6,826**

Note:

1 Borrowings of US$2,234m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 19 for details.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2021				
Financial assets				
Debt securities	2,191	34,804	240	37,235
Cash and cash equivalents	2,295	–	357	2,652
Loans and deposits	87	1,597	4	1,688
Equity securities	–	–	8,253	8,253
Derivative financial instruments	–	–	120	120
Reinsurance receivables	–	–	343	343
Accrued investment income	–	1	233	234
Other assets	24	7	558	589
Assets of disposal group classified as held-for-sale	1	99	5	105
Total financial assets	**4,598**	**36,508**	**10,113**	**51,219**
Financial liabilities				
Borrowings[1]	–	2,212	–	2,212
Other liabilities	2	897	1,740	2,639
Derivative financial instruments	–	–	157	157
Liabilities directly associated with the assets of disposal group classified as held-for-sale	–	–	2	2
Total financial liabilities	**2**	**3,109**	**1,899**	**5,010**

Note:

1 Borrowings of US$988m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 19 for details.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 March 2022				
Financial assets				
Debt securities	2,018	33,483	232	35,733
Cash and cash equivalents	1,650	–	662	2,312
Loans and deposits	93	1,662	6	1,761
Equity securities	–	–	8,248	8,248
Derivative financial instruments	–	–	131	131
Reinsurance receivables	–	–	389	389
Accrued investment income	–	–	329	329
Other assets	58	11	731	800
Total financial assets	**3,819**	**35,156**	**10,728**	**49,703**
Financial liabilities				
Borrowings[1]	–	2,213	–	2,213
Other liabilities	3	958	1,762	2,723
Derivative financial instruments	–	–	288	288
Total financial liabilities	**3**	**3,171**	**2,050**	**5,224**

Note:

1 Borrowings of US$989m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 19 for details.

The analysis below illustrates the sensitivity of shareholders' equity to changes in interest rates. The analysis illustrates the impact of changing interest rates in isolation, and does not quantify potential impacts arising from changes in other assumptions. The Group's accounting policies lock in interest rate assumptions for traditional insurance contracts at policy inception and incorporate a provision for adverse deviation. As a result, the level of interest rate movement illustrated in this sensitivity analysis does not result in loss recognition and so there is no corresponding effect on insurance liabilities.

	As at 31 December						As at 31 March	
	2019		2020		2021		2022	
US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
Interest rate risk								
+50 basis points shift in yield curves	4	(1,350)	18	(1,611)	20	(1,863)	17	(1,890)
-50 basis points shift in yield curves	(4)	1,381	(17)	1,664	(20)	2,061	(16)	1,971

Effect of interbank offered rate (IBOR) reform

The Group currently holds financial instruments which reference the US Dollar London Interbank Offered Rate (USD LIBOR), Euro Interbank Offered Rate (EURIBOR) and Japanese Yen London Interbank Offered Rate (JPY LIBOR) and are yet to transition to alternative benchmark interest rates. The Group's main IBOR exposure as at 31 March 2022 was indexed to USD LIBOR, the alternative rate of which is the Secured Overnight Financing Rate (SOFR).

The Group monitors the exposure to instruments subject to such reform. For financial investments, the Group is planning to gradually scale down the exposures prior to the cessation of USD LIBOR. For borrowings, as at 31 March 2022, the Group has a USD LIBOR indexed bank borrowing with a principal amount of US$1,000m, and designated interest rate swaps as cash flow hedges of USD LIBOR indexed interest payments arising from the bank borrowing. Both the bank borrowing and interest rate swaps will mature in 2024, before the transition from USD LIBOR to SOFR. The Group also had certain reinsurance treaties reference to LIBOR, the majority of which have transitioned to alternative benchmark rates, and hence, the impact of the remaining treaties arising from such reform is immaterial to the Group.

Risks arising from instruments that are subject to such transition are not considered significant. Such reform has no impact on the Group's risk management strategy and procedures, systems, processes and valuation models.

The following table shows the carrying value of financial instruments held by the Group as at 31 March 2022 reference USD LIBOR, which have yet to transition to SOFR:

US$m	**As at 31 March 2022**
Financial investments	
Debt securities	717
Financial liabilities	
Borrowings	(989)

Equity price risk

The Group's equity price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in equity market prices, principally investment securities not held for the account of investment-linked policyholders.

The Group manages these risks by setting and monitoring investment limits in each country and sector. The Group's principal equity price risk relates to movement in the fair value of its equity securities.

Equity price risk is managed through the selection process of equity funds and portfolio criteria for segregated equity mandates, which includes tracking errors based on benchmarks or specific concentration limits. Equity exposures are considered for each private equity investment to avoid concentration risk.

The analysis below illustrates the estimated impact on profits and shareholders' equity arising from a change in a single variable before taking into account the effects of taxation.

	As at 31 December						As at 31 March	
	2019		2020		2021		2022	
US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
Equity price risk								
10 per cent increase in equity prices	184	–	229	–	323	–	349	–
10 per cent decrease in equity prices	(184)	–	(229)	–	(323)	–	(349)	–

Foreign exchange rate risk

The Group's financial assets are predominantly denominated in the same currencies as its insurance liabilities, which serves to mitigate the foreign exchange rate risk. The level of currency risk the Group accepts is managed and monitored by the Asset and Liability Management Committee of the Group or business unit, through regular monitoring of currency positions of financial assets and insurance contracts.

The Group's net foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the tables below after taking into account derivative contracts entered into to hedge foreign exchange rate risk. Currencies for which net exposure is not significant are excluded from the analysis below.

The Group has more United States dollar denominated assets than it has corresponding United States dollar denominated liabilities due to the much deeper pool of investment assets available in United States dollars. As a result, some of the United States dollar-denominated assets are used to back Hong Kong dollar denominated liabilities. This currency mismatch is then hedged, using forward currency contracts, to reduce the currency risk.

In compiling the table below, the impact of a five percent strengthening of original currency of the relevant operation is stated relative to the functional currency of the Group (US dollar). The impact of a five percent strengthening of the US dollar is also stated relative to the original currency of the relevant operation. Currency exposure reflects the net notional amount of currency derivative positions as well as net equity by currency.

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2019				
Equity analysed by original currency	3,956	(2,369)	3,519	(3,112)
Net notional amounts of currency derivatives	(4,550)	3,328	478	3,448
Currency exposure	**(594)**	**959**	**3,997**	**336**

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
5% strengthening of original currency				
Impact on profit before tax	3	218	(1)	1
Impact on other comprehensive income	5	(170)	201	16
Impact on total equity	**8**	**48**	**200**	**17**
5% strengthening of the US dollar				
Impact on profit before tax	3	(213)	1	(1)
Impact on other comprehensive income	5	165	(201)	(16)
Impact on total equity	**8**	**(48)**	**(200)**	**(17)**
31 December 2020				
Equity analysed by original currency	7,868	(3,784)	3,943	(4,058)
Net notional amounts of currency derivatives	(5,872)	3,817	712	4,565
Currency exposure	**1,996**	**33**	**4,655**	**507**
5% strengthening of original currency				
Impact on profit before tax	128	231	2	3
Impact on other comprehensive income	(89)	(229)	231	22
Impact on total equity	**39**	**2**	**233**	**25**
5% strengthening of the US dollar				
Impact on profit before tax	128	(227)	(2)	(3)
Impact on other comprehensive income	(89)	225	(231)	(22)
Impact on total equity	**39**	**(2)**	**(233)**	**(25)**
31 December 2021				
Equity analysed by original currency	10,017	(4,513)	2,601	(3,389)
Net notional amounts of currency derivatives	(7,047)	4,102	837	4,406
Currency exposure	**2,970**	**(411)**	**3,438**	**1,017**
5% strengthening of original currency				
Impact on profit before tax	(10)	268	3	1
Impact on other comprehensive income	(3)	(289)	169	50
Impact on total equity	**(13)**	**(21)**	**172**	**51**

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
5% strengthening of the US dollar				
Impact on profit before tax	(10)	(265)	(3)	(1)
Impact on other comprehensive income	(3)	286	(169)	(50)
Impact on total equity	**(13)**	**21**	**(172)**	**(51)**
31 March 2022				
Equity analysed by original currency	7,980	(3,409)	2,015	(3,658)
Net notional amounts of currency derivatives	(6,446)	4,040	938	3,571
Currency exposure	**1,534**	**631**	**2,953**	**(87)**
5% strengthening of original currency				
Impact on profit before tax	22	253	4	–
Impact on other comprehensive income	(4)	(221)	144	(4)
Impact on total equity	**18**	**32**	**148**	**(4)**
5% strengthening of the US dollar				
Impact on profit before tax	22	(246)	(4)	–
Impact on other comprehensive income	(4)	214	(144)	4
Impact on total equity	**18**	**(32)**	**(148)**	**4**

Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet payment obligations when they become due. The Group is exposed to liquidity risk in respect of insurance contracts that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions.

To manage liquidity risk the Group has implemented a variety of measures, with an emphasis on flexible insurance product design, so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Group also seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of its insurance contracts. The Group performs regular monitoring of its liquidity position through cash flow projections.

The table below summarises financial assets and liabilities of the Group into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities or expected repayment dates. Most of the Group's assets are used to support its insurance contract liabilities, which are not shown in the table below. Refer to Note 23 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

31 December 2019

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	30,837	1,017	2,471	3,091	23,932	326
Fair value through profit or loss	4,220	52	25	11	21	4,111
Loans and deposits	1,701	413	11	22	723	532
Derivatives financial instruments	193	5	12	1	175	–
Reinsurance receivables	484	484	–	–	–	–
Other assets	854	524	54	81	1	194
Cash and cash equivalents	1,911	1,911	–	–	–	–
Assets of disposal group classified as held for sale	359	359	–	–	–	–
Total	**40,559**	**4,765**	**2,573**	**3,206**	**24,852**	**5,163**
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	32,299	813	356	392	30,738	–
Borrowings	3,946	–	272	3,674	–	–
Derivative financial instruments	167	72	14	22	59	–
Other liabilities	2,264	1,095	126	486	216	341
Lease liabilities	130	33	67	19	11	–
Liabilities directly associated with the assets of disposal group classified as held for sale	359	359	–	–	–	–
Total	**39,165**	**2,372**	**835**	**4,593**	**31,024**	**341**

31 December 2020

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	37,839	1,324	1,818	5,131	29,303	263
Fair value through profit or loss	5,869	21	16	33	59	5,740
Loans and deposits	1,754	292	123	342	980	17
Derivatives financial instruments	180	75	47	46	12	–
Reinsurance receivables	383	383	–	–	–	–
Other assets	1,205	1,075	51	25	38	16
Cash and cash equivalents	2,730	2,730	–	–	–	–
Assets of disposal group classified as held for sale	400	400	–	–	–	–
Total	**50,360**	**6,300**	**2,055**	**5,577**	**30,392**	**6,036**

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	38,894	1,506	207	732	36,449	–
Borrowings	3,457	274	1,960	1,223	–	–
Derivative financial instruments	214	104	1	72	37	–
Other liabilities	3,010	2,016	122	473	369	30
Lease liabilities	145	66	27	39	13	–
Liabilities directly associated with the assets of disposal group classified as held for sale	378	378	–	–	–	–
Total	**46,098**	**4,344**	**2,317**	**2,539**	**36,868**	**30**

31 December 2021

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	37,156	1,266	1,029	5,252	29,372	237
Fair value through profit or loss	8,332	1	5	17	56	8,253
Loans and deposits	1,688	312	190	334	824	28
Derivatives financial instruments	120	46	9	59	6	–
Reinsurance receivables	343	343	–	–	–	–
Other assets	823	669	16	11	125	2
Cash and cash equivalents	2,652	2,652	–	–	–	–
Assets of disposal group classified as held for sale	105	105	–	–	–	–
Total	**51,219**	**5,394**	**1,249**	**5,673**	**30,383**	**8,520**
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	41,127	2,531	216	940	37,440	–
Borrowings	2,212	–	–	2,212	–	–
Derivative financial instruments	157	68	13	46	30	–
Other liabilities	2,511	2,094	30	27	352	8
Lease liabilities	128	29	31	35	33	–
Liabilities directly associated with the assets of disposal group classified as held for sale	65	65	–	–	–	–
Total	**46,200**	**4,787**	**290**	**3,260**	**37,855**	**8**

31 March 2022

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	35,655	1,260	830	4,993	28,344	228
Fair value through profit or loss	8,326	5	5	12	56	8,248
Loans and deposits	1,761	323	241	354	822	21
Derivatives financial instruments	131	60	5	56	10	–
Reinsurance receivables	389	388	1	–	–	–
Other assets	1,129	984	16	11	114	4
Cash and cash equivalents	2,312	2,312	–	–	–	–
Total	**49,703**	**5,332**	**1,098**	**5,426**	**29,346**	**8,501**
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	41,804	2,676	191	916	38,021	–
Borrowings	2,213	–	–	2,213	–	–
Derivative financial instruments	288	196	16	58	18	–
Other liabilities	2,599	2,219	11	25	339	5
Lease liabilities	124	42	28	38	16	–
Total	**47,028**	**5,133**	**246**	**3,250**	**38,394**	**5**

32. EMPLOYEE BENEFIT OBLIGATIONS

(a) Defined benefit plans

The Group operates funded and unfunded benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Thailand, Japan, the Philippines and Indonesia. The independent actuaries' valuation of the plans were prepared by external credentialed actuaries. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The latest actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 52%, 60%, 60% and 59% as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, covered by the plan assets held by the trustees. The fair value of plan assets was US$22m, US$26m, US$22m and US$23m as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. The total expenses relating to these plans recognised in the income statements was US$4m, US$16m, US$3m, US$1m and US$1m for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively.

(b) Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expenses relating to these plans for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, was US$10m, US$17m, US$17m, US$4m and US$5m, respectively. Employees and the employer are required to make monthly contributions equal to a certain percentage of the employee's monthly basic salaries, depending on the jurisdictions and the years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

33. SHARE-BASED COMPENSATION

During the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2022, the Group operated the Share Option and RSU Plan to reward eligible persons for their services and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

On 30 January 2022, the Board of Directors approved a new Share Award Plan and a new Employee Share Purchase Plan to attract and retain eligible persons.

(i) RSU

The following table shows the movement in outstanding RSU under the Group's Share Option and RSU Plan:

	Year ended 31 December			Three months ended 31 March	
Number of shares	**2019**	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Outstanding at beginning of year	1,319,920	1,150,782	923,256	923,256	931,328
Awarded	178,502	129,596	333,724	–	–
Forfeited	–	–	(173,009)	–	(75,566)
Vested	(347,640)	(357,122)	(152,643)	–	–
Outstanding at end of year	1,150,782	923,256	931,328	923,256	855,762

Valuation methodology

To calculate the fair value of the awards with performance conditions, the Group utilises an appraisal value methodology (Embedded Value plus a multiple of Value of new business) and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for the awards is inherently subjective due to the assumptions made.

The total fair value of RSU granted during the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 was US$21m, US$13m, US$52m, US$nil and US$nil, respectively.

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of RSU is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense/(credit) recognised in the consolidated financial statements related to RSU granted under the Share Option and RSU Plan by the Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 was US$13m, US$20m, US$24m, US$6m and US$(5m), respectively.

(ii) Share options

The following table shows the movement in outstanding share options under the Group's Share Option and RSU Plan:

Number of share-options	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Outstanding at beginning of year	561,390	663,427	590,251	590,251	410,511
Awarded	200,028	204,470	–	–	–
Forfeited	(18,157)	(197,817)	(55,884)	–	(8,000)
Vested	(79,834)	(79,829)	(123,856)	–	–
Outstanding at end of year	663,427	590,251	410,511	590,251	402,511

Valuation methodology

To calculate the fair value of the awards with performance conditions, the Group estimates the fair value of share options using the Black-Scholes model and an assessment of performance conditions, taking into account the terms and conditions upon which the awards were granted. The fair value calculated for share awards is inherently subjective due to the assumptions made.

The Group determines the fair value of share options by the following input:

	Year ended 31 December 2019	2020	2021	Three months ended 31 March 2021 (Unaudited)	2022
Risk-free interest rate	0.84%	0.02%	N/a	N/a	N/a
Volatility	30.00%	30.00%	N/a	N/a	N/a
Dividend yield	0.00%	0.00%	N/a	N/a	N/a
Exercise price (US$ per share)	0.01	0.01	N/a	N/a	N/a
Expected life of share options (in years)	1.50	0.50	N/a	N/a	N/a
Weighted average share price (US$ per share)	228.17	202.11	N/a	N/a	N/a
– FWD Group Limited	121.84	104.42	N/a	N/a	N/a
– FWD Limited	106.33	97.69	N/a	N/a	N/a

The expected volatility reflects the assumption that historical volatility patterns continue, which may not be the actual outcome.

Share price per share is determined by appraisal value per share, using the same valuation methodology as is used in RSU.

The total fair value of share options granted for the Group during the years ended 31 December 2019 and 2020 was US$23m and US$21m, respectively. No share options were granted during the year ended 31 December 2021 and three months ended 31 March 2021 and 2022.

Recognised compensation cost

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total expense recognised in the consolidated financial statements related to share options granted under the Share Option and RSU Plan by the Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 was US$17m, US$11m, US$10m, US$2m and US$2m, respectively.

34. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors' remuneration

The Executive Directors receive compensation in the form of salaries, share-based payments, contributions to pension schemes and benefits in kind subject to applicable laws, rules and regulations. Shared-based payments represent the variable components in the Executive Directors' compensation and are linked to the performance of the Group and the individual Executive Director. Details of the share-based payment scheme are described in Note 33.

The Group's remuneration to individuals who were directors of the Company as of 31 March 2022 for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 is included in the tables below.

Executive Directors

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Year ended 31 December 2019						
Executive Directors						
Huynh Thanh Phong[3]	–	862,262	–	3,027,057	49,806	3,939,125
Total	–	862,262	–	3,027,057	49,806	3,939,125

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Year ended 31 December 2020						
Executive Directors						
Huynh Thanh Phong[3]	–	1,052,833	–	1,930,014	–	2,982,847
Li Tzar Kai Richard[4]	–	–	–	–	–	–
Total	–	1,052,833	–	1,930,014	–	2,982,847

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Year ended 31 December 2021						
Executive Directors						
Huynh Thanh Phong[3]	–	1,142,248	–	212,307	–	1,354,555
Li Tzar Kai Richard[4]	–	–	–	–	–	–
Total	–	1,142,248	–	212,307	–	1,354,555

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Three months ended 31 March 2021 (unaudited)						
Executive Directors						
Huynh Thanh Phong[3]	–	285,562	–	865,246	–	1,150,808
Li Tzar Kai Richard[4]	–	–	–	–	–	–
Total	–	285,562	–	865,246	–	1,150,808

US$	Director's fees	Salaries, allowances and benefits in kind[1]	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Three months ended 31 March 2022						
Executive Directors						
Huynh Thanh Phong[3]	–	284,014	–	53,077	–	337,091
Li Tzar Kai Richard[4]	–	–	–	–	–	–
Total	–	284,014	–	53,077	–	337,091

Notes:

1 Includes non-cash benefits for medical and life insurance, club and professional membership.

2 Includes amortised expenses for unvested Share Option and RSU based on the fair value at the respective grant dates.

3 Huynh Thanh Phong is the Group Chief Executive Officer during the years and periods presented. He receives his remuneration exclusively for his role as Group Chief Executive Officer and receives no separate fees for his role as Director of the Company or for acting as a director of any subsidiary of the Company. Huynh Thanh Phong was appointed as an Executive Director of the Company on 26 May 2021.

4 Li Tzar Kai Richard was appointed as a Director of the Company on 10 November 2020 and designated as an Executive Director of the Company on 16 June 2021.

Non-executive Directors

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Year ended 31 December 2019						
Non-executive Directors						
Ronald Joseph Arculli[3]	1,855,600	–	–	2,108,258	–	3,963,858
Guido Fürer[4]	–	–	–	–	–	–
Total	1,855,600	–	–	2,108,258	–	3,963,858

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Year ended31 December 2020						
Non-executive Directors						
Ronald Joseph Arculli[3]	1,855,600	–	–	1,393,594	–	3,249,194
Guido Fürer[4]	–	–	–	–	–	–
Total	1,855,600	–	–	1,393,594	–	3,249,194

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Year ended 31 December 2021						
Non-executive Directors						
Ronald Joseph Arculli[3]	1,855,600	–	–	686,077	–	2,541,677
Guido Fürer[4]	–	–	–	–	–	–
Walter Bruno Kielholz[5]	35,389	–	–	–	–	35,389
Total	1,890,989	–	–	686,077	–	2,577,066

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Three months ended 31 March 2021 (unaudited)						
Non-executive Directors						
Ronald Joseph Arculli[3]	463,900	–	–	214,399	–	678,299
Guido Fürer[4]	–	–	–	–	–	–
Walter Bruno Kielholz[5]	–	–	–	–	–	–
Total	463,900	–	–	214,399	–	678,299

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments[2]	Pension scheme contributions	Total
Three months ended 31 March 2022						
Non-executive Directors						
Ronald Joseph Arculli[3]	600,000	–	–	204,190	–	804,190
Guido Fürer[4]	–	–	–	–	–	–
Walter Bruno Kielholz[5]	32,499	–	–	–	–	32,499
Total	632,499	–	–	204,190	–	836,689

Notes:

1 All Directors receive the fees for their role as a Director of the Company and as a director of subsidiaries of the Company.

2 Includes amortised expenses for unvested Share Option and RSU based on the fair value at the respective grant dates.

3 Ronald Joseph Arculli was appointed as a Non-executive Director of the Company on 26 May 2021.

4 Guido Fürer was appointed as a Non-executive Director of the Company on 23 September 2021.

5 Walter Bruno Kielholz was appointed as a Non-executive Director of the Company on 23 September 2021.

Independent Non-executive Directors

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Year ended 31 December 2019						
Independent Non-executive Directors						
Chung Martina Kit Hung[2]	128,115	–	–	–	–	128,115
Dirk Marinus Sluimers[3]	121,015	–	–	–	–	121,015
John Russell Baird[4]	259,473	–	–	–	–	259,473
Kyoko Hattori[5]	50,756	–	–	–	–	50,756
Ma Si Hang Frederick[6]	302,656	–	–	–	–	302,656
Total	862,015	–	–	–	–	862,015

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Year ended 31 December 2020						
Independent Non-executive Directors						
Chung Martina Kit Hung[2]	193,432	–	–	–	–	193,432
Dirk Marinus Sluimers[3]	136,941	–	–	–	–	136,941
John Russell Baird[4]	259,473	–	–	–	–	259,473
Kyoko Hattori[5]	152,976	–	–	–	–	152,976
Ma Si Hang Frederick[6]	302,656	–	–	–	–	302,656
Total	1,045,478	–	–	–	–	1,045,478

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Year ended 31 December 2021						
Independent Non-executive Directors						
Chung Martina Kit Hung[2]	225,395	–	–	–	–	225,395
Dirk Marinus Sluimers[3]	156,236	–	–	–	–	156,236
John Russell Baird[4]	252,956	–	–	–	–	252,956
Kyoko Hattori[5]	169,914	–	–	–	–	169,914
Ma Si Hang Frederick[6]	301,910	–	–	–	–	301,910
Yijia Tiong[7]	66,214	–	–	–	–	66,214
Total	1,172,625	–	–	–	–	1,172,625

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Three months ended 31 March 2021 (unaudited)						
Independent Non-executive Directors						
Chung Martina Kit Hung[2]	48,236	–	–	–	–	48,236
Dirk Marinus Sluimers[3]	33,191	–	–	–	–	33,191
John Russell Baird[4]	63,219	–	–	–	–	63,219
Kyoko Hattori[5]	38,127	–	–	–	–	38,127
Ma Si Hang Frederick[6]	75,576	–	–	–	–	75,576
Total	258,349	–	–	–	–	258,349

US$	Director's fees[1]	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Three months ended 31 March 2022						
Independent Non-executive Directors						
Chung Martina Kit Hung[2]	66,205	–	–	–	–	66,205
Dirk Marinus Sluimers[3]	45,693	–	–	–	–	45,693
John Russell Baird[4]	62,883	–	–	–	–	62,883
Kyoko Hattori[5]	44,804	–	–	–	–	44,804
Ma Si Hang Frederick[6]	75,271	–	–	–	–	75,271
Yijia Tiong[7]	36,287	–	–	–	–	36,287
Total	331,143	–	–	–	–	331,143

Notes:

1 All Directors receive the fees for their role as a Director of the Company and as a director of subsidiaries of the Company.

2 Chung Martina Kit Hung was appointed as a Director of the Company on 29 October 2020 and designated as an Independent Non-executive Director of the Company on 16 June 2021.

3 Dirk Marinus Sluimers was appointed as an Independent Non-executive Director of the Company on 26 May 2021.

4 John Russell Baird was appointed as an Independent Non-executive Director of the Company on 23 September 2021.

5 Kyoko Hattori was appointed as an Independent Non-executive Director of the Company on 23 September 2021.

6 Ma Si Hang Frederick was appointed as an Independent Non-executive Director of the Company on 23 September 2021.

7 Yijia Tiong was appointed as an Independent Non-executive Director of the Company on 28 May 2021.

The Group's remuneration to individuals who were directors of the Company during the years/periods presented and resigned prior to 31 March 2022 is included in the tables below.

US$	Director's fees	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Year ended 31 December 2019						
Naomi Tofukuji[1]	–	–	–	–	–	–
Peter Anthony Allen[2]	–	–	–	–	–	–
Total	–	–	–	–	–	–

US$	Director's fees	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Year ended 31 December 2020						
Naomi Tofukuji[1]	–	–	–	–	–	–
Peter Anthony Allen[2]	–	–	–	–	–	–
Fung Wai Ling Jenny[3]	–	–	–	–	–	–
Total	–	–	–	–	–	–

US$	Director's fees	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Year ended 31 December 2021						
Naomi Tofukuji[1]	–	–	–	–	–	–
Peter Anthony Allen[2]	–	–	–	–	–	–
Fung Wai Ling Jenny[3]	–	–	–	–	–	–
Total	–	–	–	–	–	–

US$	Director's fees	Salaries, allowances and benefits in kind	Bonuses	Share-based payments	Pension scheme contributions	Total
Three months ended 31 March 2021 (unaudited)						
Naomi Tofukuji[1]	–	–	–	–	–	–
Peter Anthony Allen[2]	–	–	–	–	–	–
Fung Wai Ling Jenny[3]	–	–	–	–	–	–
Total	–	–	–	–	–	–

Notes:

1 Naomi Tofukuji resigned on 26 May 2021.

2 Peter Anthony Allen resigned on 26 May 2021.

3 Fung Wai Ling Jenny was appointed as a director of the Company on 29 October 2020 and resigned on 26 May 2021.

Remuneration of five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 are as follows:

US$	Director's fees[1]	Salaries, allowances and benefits in kind[2]	Bonuses	Share-based payments[3]	Long-term incentives	Pension scheme contributions	Other payments[4]	Total
Year ended 31 December 2019	1,855,600	3,097,228	4,000,825	11,384,032	–	98,102	4,787,019	25,222,806
Year ended 31 December 2020	1,855,600	3,720,017	3,797,083	11,842,690	694,453	90,522	4,308,545	26,308,910
Year ended 31 December 2021	–	4,285,867	7,386,858	8,279,707	2,278,767	145,797	1,140,837	23,517,833
Three months ended 31 March 2021 (Unaudited)	–	1,329,472	1,058,968	3,566,377	1,109,154	31,070	285,209	7,380,250
Three months ended 31 March 2022	–	1,066,346	1,621,298	1,796,287	1,330,812	35,518	3,496,824	9,347,085

Notes:

1 Includes the fees for their role as a Director of the Company and as a director of subsidiaries of the Company.

2 Includes non-cash benefits for medical and life insurance, club and professional membership.

3 Includes amortised expenses for unvested Share Option and RSU based on the fair value at the respective grant dates.

4 Includes amortised expenses in relation to the awarded compensation to Key Management Personnel to incentivise and replace forfeited compensation on leaving their formal employment with their previous employers.

The emoluments fell within the following bands:

	Year ended 31 December			Three months ended 31 March	
HK$	**2019**	**2020**	**2021**	**2021** (Unaudited)	**2022**
8,000,001-8,500,000	–	–	–	–	1
9,000,001-9,500,000	–	–	–	2	2
9,500,001-10,000,000	–	–	–	–	1
10,500,001-11,000,000	–	–	–	1	–
11,000,001-11,500,000	–	–	–	1	–
17,000,001-17,500,000	–	–	–	1	–
25,000,001-25,500,000	–	1	–	–	–
27,000,001-27,500,000	–	–	1	–	–
30,500,001-31,000,000	2	–	2	–	–
32,000,001-32,500,000	–	1	–	–	–
33,000,001-33,500,000	1	–	–	–	–
34,000,001-34,500,000	–	–	1	–	–
35,500,001-36,000,000	–	–	–	–	1
36,000,001-36,500,000	–	1	–	–	–
38,500,001-39,000,000	–	1	–	–	–
39,000,001-39,500,000	1	–	–	–	–
59,500,001-60,000,000	–	–	1	–	–
62,000,001-62,500,000	1	–	–	–	–
71,500,001-72,000,000	–	1	–	–	–

Key management personnel of the Group are those that have the authority and responsibility for planning, directing and controlling the activities of the Group. Accordingly, the summary of compensation of key management personnel is as follows.

	Year ended 31 December			Three months ended 31 March	
US$m	**2019**	**2020**	**2021**	**2021** (Unaudited)	**2022**
Short-term employee benefits	18	17	19	5	8
Share-based payments	17	19	14	6	(5)
Other long-term benefits	1	2	3	1	2
Total	36	38	36	12	5

35. RELATED PARTY TRANSACTIONS

(a) Compensation of Directors and key management personnel of the Group:

Remuneration of Directors and key management personnel is disclosed in Note 34.

(b) Transactions and balances with related parties:

The Group has transactions with certain related companies and these consolidated financial statements reflect the effect of these transactions which are conducted in accordance with terms mutually agreed between the parties. The Group had the following related party transactions during the period.

(i) Related companies charged US$24m, US$26m, US$39m, US$7m and US$8m for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively.

(ii) The Group has underwritten various group insurance contracts with related companies. The total premium revenue from those contracts for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 was US$2m, US$41m, US$2m, US$nil and US$7m, respectively.

(iii) The Group has entered into reinsurance contract arrangements with related companies. The total premiums ceded, claim recoveries received and commission income received for the year ended 31 December 2019 was US$41m, US$27m and US$4m, respectively. The total premiums ceded, claim recoveries received and commission income received for the year ended 31 December 2020 was US$53m, US$36m and US$10m, respectively. The total premiums ceded, claim recoveries received and commission paid and surplus distribution received for year ended 31 December 2021 was US$40m, US$22m, US$1m and US$1m, respectively. The total premiums ceded, claim recoveries received, commission income received and surplus distribution received for three months ended 31 March 2021 was US$15m, US$6m, US$1m and US$1m, respectively. The total premiums ceded, claim recoveries received, commission income received and surplus distribution received for three months ended 31 March 2022 was US$12m, US$3m, US$1m and US$nil, respectively.

(iv) The Group has accepted certain liabilities in connection with a reinsurance contract from a related company. The total premium revenue, claims incurred, and commissions paid from this contract for the year ended 31 December 2020 was US$231m, US$166m and US$60m, respectively. The total premiums ceded, claim recoveries received and commission income received for year ended 31 December 2021 was US$238m, US$75m and US$56m, respectively. The total premium revenue, claims incurred, and commissions paid from this contract for three months ended 31 March 2021 was US$98m, US$18m and US$14m, respectively. The total premium revenue, claims incurred, and commissions paid from this contract for three months ended 31 March 2022 was US$89m, US$17m and US$13m, respectively.

(v) The Group charged/(paid) related parties US$19m, US$2m, US$(1m) and US$1m for administration services related to the GI Disposal Group during the year ended 31 December 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively.

(vi) Related companies charged US$2m, US$2m, US$2m, US$1m and US$nil for the rental and provision of management fee services for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively.

(vii) During the year ended 31 December 2020, the Group sold a subsidiary of the GI Disposal Group to a related party for a total consideration of US$77m. During the year ended 31 December 2021, the Group sold two subsidiaries of the GI Disposal Group to a related party for a total consideration of US$32m which included US$14m for settlement of the Group's loans to the GI Disposal Group. The Group received US$30m from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2019 and 2018 and US$14m to settle the receivable for payments made on behalf of the GI Disposal Group in 2020. The Group also has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. As at 31 December 2021 and 31 March 2022, the fair value of the call option was US$37m and US$37m, respectively. Refer to Note 5.2 and 19 for details.

(viii) The Group held financial investments of US$348m, US$85m, US$119m and US$119m controlled by related parties as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. The investment income earned on bonds issued by related parties was US$9m, US$9m, US$nil, US$nil, and US$nil for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022, respectively.

(ix) Related companies invested in the guaranteed notes and perpetual securities issued by the Group with aggregate principal amounts of US$406m, US$214m, US$146m and US$146m as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. The total interest and distributions paid to related companies for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 was US$5m, US$10m, US$9m, US$2m and US$2m, respectively. Refer to Notes 27 and 29.3 for further details.

(x) On 16 April 2021, the Group acquired an investment property in Malaysia with a cost of US$17m from a related party. Refer to Notes 15 for further details.

(xi) The Group had amounts due from related companies of US$nil, US$17m, US$4m and US$8m as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. The amounts due are unsecured, interest-free and repayable on demand.

(xii) The Group and Company had outstanding payable to a related company of US$60m, US$nil, US$nil and US$nil as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively, which were novated to PCGI Holdings Limited as part of the Reorganisation. Refer to Note 1.2 for further details.

(xiii) In addition, the Group had outstanding payables to related companies of US$6m, US$6m, US$5m and US$6m as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. The payables are unsecured, interest-free and payable on demand.

(xiv) FWD Malaysia had loans of US$3m due to non-controlling interest holders which were settled on 31 December 2019.

(xv) a. During the year ended 31 December 2019, the Company obtained an interest-bearing loan of US$250m from PCGI Intermediate Holdings (II) Limited. The Company recognised interest expense of US$2m and US$14m during the years ended 31 December 2019 and 2020.

During the year ended 31 December 2020:

– The Company obtained an interest-bearing loan of US$160m from PCGI Limited and recognised an interest expense of US$4m;

– The Company subscribed 4.75% Guaranteed Notes due 2024 issued by PCGI Intermediate Limited for a consideration of US$137m and recognised interest income of US$5m.

b. Pursuant to the Merger, the Company assumed all the assets and liabilities of PCGI Limited, and therefore, the balance due to PCGI Limited was settled.

c. Pursuant to the Transfer and Novation of Borrowings and Related Parties Balances, the balances due to PCGI Intermediate Holdings (II) Limited and from PCGI Intermediate Limited were transferred to PCGI Holdings Limited.

(xvi) The Company had outstanding payable to subsidiaries of US$13m and US$18m as at 31 December 2021 and 31 March 2022, respectively. The payable is unsecured, interest-free and payable on demand.

(c) Transactions and balances with associates and joint ventures:

(i) The Group has entered into broker and non-exclusive distribution agreements with associates, pursuant to which the total commission expenses recognised by the Group for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 and 2022 were US$5m, US$4m, US$13m, US$4m and US$2m, respectively.

(ii) The Group had an amount due from an associate and joint ventures of US$nil, US$1m, US$6m and US$1m as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively. The amounts due are unsecured, interest-free and repayable on demand.

(iii) The Group had a loan to an associate at US$5m and US$5m as at 31 December 2021 and 31 March 2022, respectively which is interest-bearing and repayable on maturity date.

(iv) The Group had a loan to a joint venture at US$4m as at 31 March 2022, which is interest-bearing and repayable on maturity date.

The related party transactions above, except for (b)(xv)a., (b)(xv)b., (xvi) and (c), constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Please refer to section "Connected Transactions" in this document for the requirements of these connected transactions in Chapter 14A of the Listing Rules.

The related party transactions that are considered non-trade in nature are identified as b(vii) (ix) (x) (xii) (xiv) (xv); c(ii), (iii). All non-trade balances are either eliminated, already settled or will be settled prior to [**REDACTED**] with the exception of the b(ix) and c(iii).

36. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as a lessor

As of 31 December 2019, 2020, 2021 and 31 March 2022, the Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 20 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Within one year	18	20	24	24
In the second to fifth years	39	42	48	45
Over five years	55	52	97	97
Total	**112**	**114**	**169**	**166**

Investment and capital commitments

As of 31 December 2019, 2020, 2021 and 31 March 2022, the Group has investments and capital commitments to invest in its private equity partnerships.

US$m	As at 31 December 2019	2020	2021	As at 31 March 2022
Within one year	289	293	299	292
In the second to fifth years	1,087	1,033	867	816
Over five years	–	–	–	–
Total	**1,376**	**1,326**	**1,166**	**1,108**

Commitments in Malaysia

As of 31 December 2019, 2020, 2021 and 31 March 2022, the Group had planned to invest a total of US$223m, US$189m, US$98m and US$83m, respectively, in Malaysia until 2024.

Capital commitment for acquisitions and investments

As of 31 December 2019, 2020, 2021 and 31 March 2022, the Group agreed to make initial payments in aggregate amounts of US$647m, US$316m, US$nil and US$nil, respectively, and additional payments in aggregate amounts of up to US$nil, US$214m, US$209m and US$154m, respectively, in relation to acquisitions and investments.

Capital commitment for investment properties

On 18 December 2020, the Group signed a sale and purchase agreement to purchase an interest in investment property in Japan at approximately US$40m. The transaction completed on 28 April 2021.

On 24 December 2020, the Group signed a sale and purchase agreement to purchase an investment property in Malaysia at approximately US$17m. The transaction completed on 16 April 2021.

Contingencies

The Group is subject to regulation in each of the geographical markets in which it operates from insurance business, and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to risk exposures including legal proceedings, complaints etc. from its activities including those arising from commercial activities, sales practices, suitability of products, policies and claims. The Group believes that these matters are adequately provided for in these financial statements.

37. SUBSIDIARIES

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

				As at 31 December 2019		As at 31 December 2020		As at 31 December 2021		As at 31 March 2022	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Limited	Cayman Islands	Investment holding	24,040,626 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	75%	25%	73%	27%	73%	27%	73%	27%
FWD Group Limited	Cayman Islands	Investment holding	24,040,626 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	75%	25%	73%	27%	73%	27%	73%	27%
FWD Group Management Holdings Limited	Hong Kong	Group management	6,661,000 ordinary shares of US$100 each 1 ordinary share of HK$1 each	100%	–	100%	–	100%	–	100%	–

				As at 31 December 2019		As at 31 December 2020		As at 31 December 2021		As at 31 March 2022	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Management Holdings Limited	Hong Kong	Investment holding	14,756,170 ordinary shares of US$100 each 2 ordinary shares of HK$3,255,523,426 each	100%	–	100%	–	100%	–	100%	–
FWD Life Insurance Company (Bermuda) Limited	Bermuda/ Hong Kong	Life insurance	1,012,095,640 ordinary shares of US$1 each 709,926 preference shares of US$1,000 each	100%	–	100%	–	100%	–	100%	–
FWD Life (Hong Kong) Limited[1]	Hong Kong	Life insurance	590,106,626 ordinary shares of HK$1 each	–	–	100%	–	100%	–	100%	–
FWD Life Assurance Company (Hong Kong) Limited[2]	Hong Kong	Life insurance	76,325 ordinary shares of HK$5,000 each	–	–	100%	–	100%	–	100%	–
FWD Life Insurance Company (Macau) Limited	Macau	Life insurance	6,814,375 ordinary shares of MOP100 each	100%	–	100%	–	100%	–	100%	–
FWD Life Insurance Public Company Limited[3]	Thailand	Life insurance	3,006,360,171 ordinary shares of THB10 each	87%	13%	87%	13%	87%	13%	87%	13%
SCB Life Assurance Public Company Limited[3]	Thailand	Life insurance	66,500,000 ordinary shares of THB10 each	86%	14%	N/A	N/A	N/A	N/A	N/A	N/A
FWD Life Insurance Company, Limited[4]	Japan	Life insurance	1,310,000 ordinary shares of JPY28,816.8 each	100%	–	100%	–	100%	–	100%	–
FWD Reinsurance SPC, Ltd.	Cayman Islands	Life reinsurance	50,000 ordinary shares of US$0.01 each	100%	–	100%	–	100%	–	100%	–
FWD Life Insurance Corporation	Philippines	Life insurance	2,300,000,000 ordinary shares of PHP1 each	100%	–	100%	–	100%	–	100%	–
PT FWD Insurance Indonesia[5]	Indonesia	Life insurance	8,116,071 ordinary shares of Rp1,000,000 each	79%	21%	79%	21%	79%	21%	79%	21%
PT FWD Asset Management	Indonesia	Asset management	123,631 ordinary shares of Rp1,000,000 each	100%	–	100%	–	100%	–	100%	–
FWD Singapore Pte. Ltd.	Singapore	Life and general insurance	209,183,678 ordinary shares of SGD260,500,004 issued share capital	100%	–	100%	–	100%	–	100%	–
FWD Takaful Berhad	Malaysia	Life Insurance	2,000,000 ordinary shares of RM50 each 4,125 preference shares of RM100,000 each	49%	51%	49%	51%	49%	51%	49%	51%
FWD Vietnam Life Insurance Company Limited	Vietnam	Life insurance	Contributed capital of VND18,546,000,000,000	100%	–	100%	–	100%	–	100%	–
FWD Assurance Vietnam Company Limited[6]	Vietnam	Life insurance	Contributed capital of VND600,000,000,000	–	–	100%	–	100%	–	–	–
FWD Life Insurance (Cambodia) Plc.[7]	Cambodia	Life insurance	587,600 ordinary shares of KHR100,000 each	–	–	100%	–	100%	–	100%	–

Notes:

1 Formerly known as MetLife Limited

2 Formerly known as Metropolitan Life Insurance Company of Hong Kong Limited

3 On 1 October 2020, SCB Life Assurance Public Company Limited and FWD Life Insurance Public Company Limited amalgamated. The amalgamated company is named FWD Life Insurance Public Company Limited.

4 Formerly known as FWD Fuji Life Insurance Company, Limited

5 On 1 December 2020, PT FWD Life Indonesia and PT FWD Insurance Indonesia (formerly known as PT Commonwealth Life) merged. The merged company is named PT FWD Insurance Indonesia.

6 Formerly known as Vietcombank-Cardif Life Insurance Limited Company. FWD Assurance VietNam Company Limited was disposed on 21 March 2022. Refer to note 5.3 for further details.

7 Formerly known as Bangkok Life Assurance (Cambodia) Public Limited Company

All subsidiaries are unlisted. All subsidiaries are audited by Ernst and Young, except for FWD Assurance VietNam Company Limited.

Except for FWD Limited, FWD Group Limited, FWD Takaful Berhad and FWD Life Insurance Public Company Limited, the subsidiaries are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

38. EVENTS AFTER REPORTING PERIOD

On 29 April 2022, the Group subscribed the fixed rate unsecured convertible notes (the "Convertible Notes") issued by an associate with an aggregate principal amount of US$13m. The Convertible Notes are automatically converted into shares of the associate under certain conditions as set out in the agreements.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2022.

40. ADDITIONAL FINANCIAL INFORMATION ON SCB LIFE ASSURANCE PUBLIC COMPANY LIMITED

The Group obtained control over SCB Life Assurance Public Company Limited ("SCB Life") on 26 September 2019. The pre-acquisition financial information of SCB Life for the period from 1 January 2019 to 25 September 2019 (the "Pre-acquisition Period") has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as "Financial Information of SCB Life").

40.1 Financial Information of SCB Life

Income Statement

US$m	Notes	For the period from 1 January to 25 September 2019
REVENUE		
Premiums and fee income		1,128
Premiums ceded to reinsurers		(11)
Net premiums and fee income		1,117
Investment return	*40.4*	402
Other operating revenue		1
Total revenue		**1,520**
EXPENSES		
Insurance and investment contract benefits		1,084
Insurance and investment contract benefits ceded		(3)
Net insurance and investment contract benefits		**1,081**
Commission and commission-related expenses		138
General expenses		57
Finance costs		1
Other expenses		8
Total expenses	*40.5*	**1,285**
Profit before tax		**235**
Tax expense	*40.6*	(47)
Net profit		**188**

Statement of Comprehensive Income

US$m	For the period from 1 January to 25 September 2019
Net profit	**188**
OTHER COMPREHENSIVE INCOME	
Items that may be reclassified subsequently to profit or loss	
Fair value gains on available for sale financial assets (net of tax of: 25 September 2019 US$(135m))	540
Fair value gains on available for sale financial assets transferred to income on disposal and impairment (net of tax of: 25 September 2019 US$(6m))	20
Foreign currency translation adjustments	72
Total other comprehensive income	632
Total comprehensive income	**820**

Statements of Financial Position

US$m	*Notes*	As at 25 September 2019
ASSETS		
Intangible assets		19
Property, plant and equipment		21
Reinsurance assets	*40.7*	9
Deferred acquisition costs	*40.8*	380
Financial investments	*40.9*	
Loans and deposits		661
Held to maturity		3,330
Available for sale		
Debt securities		6,966
Equity securities		416
At fair value through profit or loss		
Equity securities		2
Derivative financial instruments	*40.10*	173
		11,548
Other assets	*40.11*	187
Cash and cash equivalents	*40.12*	86
Total assets		**12,250**
LIABILITIES		
Insurance contract liabilities	*40.13*	10,063
Investment contract liabilities		2
Provisions		9
Deferred tax liabilities	*40.6*	108
Current tax liabilities		5
Other liabilities	*40.14*	271
Total liabilities		**10,458**
EQUITY		
Share capital		20
Other reserves		2
Retained earnings		1,105
Amounts reflected in other comprehensive income		665
Fair value reserve		587
Defined benefit obligation revaluation reserve		(1)
Foreign currency translation reserve		79
Total equity		**1,792**
Total liabilities and equity		**12,250**

Statements of Changes in Equity

				Other comprehensive income			
US$m	Share capital	Other reserves	Retained earnings	Fair value reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Total equity
Balance as at 1 January 2019	20	2	917	27	(1)	7	972
Net profit	–	–	188	–	–	–	188
Fair value gains on available for sale financial assets	–	–	–	540	–	–	540
Fair value gains on available for sale financial assets transferred to income on disposal	–	–	–	20	–	–	20
Foreign currency translation adjustments	–	–	–	–	–	72	72
Total comprehensive income for the period	–	–	188	560	–	72	820
Balance as at 25 September 2019	20	2	1,105	587	(1)	79	1,792

Statements of Cash Flows

US$m	*Notes*	For the period from 1 January to 25 September 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		235
Adjustments for:		
Financial investments		(615)
Insurance contract liabilities and deferred acquisition costs		255
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(149)
Operating cash items:		
Dividend received		11
Interest received		229
Income tax paid		(32)
Net cash used in operating activities		**(66)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for intangible assets		(4)
Net cash used in investing activities		**(4)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid on lease liabilities		1
Net cash used in financing activities		**1**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(69)
Cash and cash equivalents at beginning of period		148
Effect of exchange rate changes on cash and cash equivalents		7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*40.12*	86

40.2 Corporate information

SCB Life is incorporated in Thailand and has its registered office at 87/1 Capital Tower, All Season Place, 3rd – 6th, 8th and 17th Floor, Wireless Road, Lumpini, Phattumwan, Bangkok 10330.

The parent company during the pre-acquisition period was The Siam Commercial Bank Public Company Limited which is incorporated in Thailand (25 September 2019: 99.2% shareholding).

The principal activity of SCB Life is to provide products and services focusing on life insurance.

On 26 September 2019, the Group acquired 99.2% of share capital of the SCB Life from The Siam Commercial Bank Public Company Limited ("SCB"), obtaining control of SCB Life's majority voting rights.

40.3 Significant accounting policies

40.3.1 Basis of preparation

The Financial Information of SCB Life for the Pre-acquisition Period has been prepared in accordance with the accounting policies set out in Note 2 unless otherwise mentioned below.

40.3.2 Adoption of IFRS 16 Leases

SCB Life has lease contracts for various office premises, office equipment, IT-related and other assets. In accordance with the adoption of IFRS 16 (refer to Note 2), these leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group.

The lease liabilities as at 1 January 2019, were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of 4.00% – 5.00%, and can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

US$m	
Operating lease commitments disclosed as at 31 December 2018	7
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2)
Add: adjustments as a result of a different treatment of extension and termination options	9
Add: others	1
Lease liability recognised as at 1 January 2019	**15**

40.3.3 Exchange rates

SCB Life's principal operations during the Pre-acquisition Period were located in Thailand and Thai Baht is SCB Life's functional currency. The Financial Information of SCB Life is presented in US Dollars, which is the presentation currency of the Group.

For the period ended 25 September 2019, the results and cash flows of these operations have been translated into US Dollars at the average rates of 31.31.

As at 25 September 2019, assets and liabilities have been translated into US Dollars at 30.62.

Exchange rates are expressed in units of local currency per US$1.

40.3.4 Segment reporting

Management monitors the operating results of SCB Life's business as one single segment for the purpose of making decisions about resource allocation and performance assessment, no segment information is disclosed.

40.3.5 Financial Instruments

40.3.5.1 Classification and designation of financial instruments

Held to maturity financial instruments

Debt securities for which SCB Life has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

40.4 Revenue

Investment return

US$m	**For the period from 1 January to 25 September 2019**
Interest income	259
Dividend income	11
Investment income	**270**
Available for Sale	
Net realised gains from debt securities	2
Net realised gains from equity securities	23
Reversal of impairment of available-for-sale financial assets	1
Net gains of available-for-sale financial assets reflected in the income statement	**26**
At fair value through profit or loss	
Net fair value movement on derivatives	112
Net gains in respect of financial instruments at fair value through profit or loss	**112**
Net foreign exchange losses	(6)
Investment experience	**132**
Investment return	**402**

40.5 Expenses

US$m	For the period from 1 January to 25 September 2019
Insurance and investment contract benefits	847
Change in insurance and investment contract liabilities	237
Insurance and investment contract benefits	**1,084**
Insurance and investment contract benefits ceded	(3)
Insurance and investment contract benefits, net of reinsurance ceded	**1,081**
Commission and other acquisition expenses incurred	129
Deferral and amortisation of acquisition expenses	9
Commission and other acquisition expenses	**138**
Employee benefits expenses	29
Depreciation	4
Amortisation	2
Marketing and advertising	6
Professional service fees	1
Information technology expenses	5
Other operating expenses	10
General expenses	**57**
Investment management expenses and others	8
Other expenses	**8**
Finance costs	1
Total	**1,285**

Employee benefits consist of:

US$m	For the period from 1 January to 25 September 2019
Wages and salaries	18
Pension costs	3
Other employee benefits expenses	8
Total	**29**

40.6 Income Tax

(1) Income tax expense

Taxes on assessable profits have been calculated at 20%, the enacted rate of corporate income tax in Thailand, where SCB Life operates during the Pre-acquisition Period.

US$m	For the period from 1 January to 25 September 2019
Tax charged in the income statement	
Current income tax	(44)
Deferred income tax on temporary differences	(3)
Total	**(47)**

US$m	For the period from 1 January to 25 September 2019
Income tax reconciliation	
Profit before income tax	**235**
Tax expense calculated at domestic tax rate	(47)
Increase in tax benefit/reduction in tax expense from:	
Income not subject to tax/(disallowed expenses)	–
Total income tax expense	**(47)**

(2) Deferred tax

The movement in net deferred tax liabilities in the period may be analysed as set out below:

US$m	Net deferred tax asset/ (liability) at 1 January	Credited/ (charged) to income statement	Credited/(charged) to other comprehensive income: Fair value reserve	Credited/(charged) to other comprehensive income: Foreign exchange	Net deferred tax asset/ (liability) at end of period
As at 25 September 2019					
Revaluation of financial instruments	(12)	27	(161)	(4)	(150)
Deferred acquisition costs	(74)	2	–	(4)	(76)
Insurance and investment contract liabilities	139	(5)	–	8	142
Others	3	(27)	–	–	(24)
Total	**56**	**(3)**	**(161)**	**–**	**(108)**

40.7 Reinsurance assets

US$m	As at 25 September 2019
Amounts recoverable from reinsurers	2
Ceded insurance and investment contract liabilities	7
Total	**9**

40.8 Deferred acquisition costs

US$m	As at 25 September 2019
Carrying amount	
Deferred acquisition costs on insurance contracts	380
Total	**380**

US$m	As at 25 September 2019
Movements in the period	
At beginning of period	**368**
Deferral and amortisation of acquisition costs	(9)
Foreign exchange movements	21
At end of period	**380**

Deferred acquisition costs are expected to be recoverable over the mean term of SCB Life's insurance contracts, and liability adequacy testing is performed at least annually to confirm their recoverability. Accordingly the annual amortisation charge, which varies with investment performance for certain products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

40.9 Financial investments

40.9.1 Debt securities

Debt securities by type comprise the following:

US$m	Carrying Value AFS	Carrying Value HTM	Total	Fair Value HTM
As at 25 September 2019				
Government bonds – issued in local currency				
Thailand	4,626	2,753	7,379	3,314
Sub-total	**4,626**	**2,753**	**7,379**	**3,314**

US$m	Carrying Value AFS	Carrying Value HTM	Total	Fair Value HTM
Government agency bonds(1)				
AA	74	–	74	–
A	90	–	90	–
BBB	620	518	1,138	564
Sub-total	**784**	**518**	**1,302**	**564**
Corporate bonds				
AA	273	–	273	–
A	924	–	924	–
BBB	359	–	359	–
Sub-total	**1,556**	**–**	**1,556**	**–**
Others				
Certificate of deposits	–	59	59	59
Sub-total	**–**	**59**	**59**	**59**
Total	**6,966**	**3,330**	**10,296**	**3,937**

(1) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities and government-related entities.

40.9.2 ***Equity securities***

Equity securities by type comprise the following:

US$m	FVTPL	AFS	Total
As at 25 September 2019			
Equity shares	2	398	400
Interests in investment funds	–	18	18
Total	**2**	**416**	**418**

40.9.3 ***Debt and equity securities***

US$m	As at 25 September 2019 Carrying Value	As at 25 September 2019 Fair Value
Debt securities		
Listed	8,206	8,810
Unlisted	2,090	2,093
Total	**10,296**	**10,903**

US$m	As at 25 September 2019
Equity securities	
Listed	418
Total	**418**

40.9.4 Loans and deposits

US$m	As at 25 September 2019
Policy loans	356
Accreting deposits and promissory notes	305
At end of period	**661**

Policy loans are stated at amortised cost, are interest-bearing at market interest rates and are repayable at the discretion of the policyholders as long as the interest plus the principal of the loans do not exceed the cash value. As at 25 September 2019, the policy loans bear interest at rates ranging 4.50% to 8.00% per annum.

Accreting deposits are stated at amortised cost. As at 25 September 2019, the accreting deposits bear interest at rates ranging from 2.71% to 5.20% per annum and are repayable upon maturity.

40.10 Derivative financial instruments

SCB Life's derivative exposure was as follows:

		Fair value	
US$m	Nominal amount	Assets	Liabilities
As at 25 September 2019			
Foreign exchange contracts			
Cross-currency swaps	448	51	–
Total foreign exchange contracts	448	51	–
Others			
Bond forward contracts	694	122	–
Total	**1,142**	**173**	**–**

Derivatives assets and derivative liabilities are recognised in the statement of financial position as financial assets at fair value through profit or loss and derivative financial liabilities, respectively. SCB Life's derivative contracts are established to economic hedge financial exposures.

Collateral under derivative transactions

As at 25 September 2019, SCB Life had posted cash collateral of US$167m and pledged debt securities with carrying value of US$nil for liabilities. SCB Life did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions. Further information relating to cash collateral is included in Note 40.14.

40.11 Other assets

US$m	As at 25 September 2019
Accrued investment income	135
Accounts receivable	13
Insurance receivables due from insurance and investment contract holders	20
Deposits	1
Prepayments	18
Total	**187**

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period.

40.12 Cash and cash equivalents

US$m	As at 25 September 2019
Cash equivalents	86
Total	**86**

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits with maturities at acquisition of three months or less. Accordingly, all such amounts are expected to be realised within 12 months after the end of the reporting period.

40.13 Insurance contract liabilities

The movements of insurance contract liabilities are shown as follows:

US$m	As at 25 September 2019
At beginning of period	9,289
Valuation premiums and deposits	958
Expected investment return	251
Liabilities released for policy termination, or other policy benefits paid and related expenses	(972)
Foreign exchange movements	534
Other movement	3
At end of period	**10,063**

Insurance contract liabilities comprise of following:

US$m	As at 25 September 2019
Deferred profit	627
Liabilities for future policyholder benefits	9,436
Total	**10,063**

Valuation assumption

As at 25 September 2019, the ranges of applicable valuation interest rates for traditional insurance contracts, which vary by year of issuance and products are 2.37% – 4.09%.

40.14 Other liabilities

US$m	As at 25 September 2019
Trade and other payables	47
Accrued commissions	21
Investment payables	9
Tax payable	6
Reinsurance-related payables	7
Lease liabilities	14
Cash collateral received under derivative transaction	167
Total	**271**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Milliman

Unit 3901-02 39 Floor AIA Tower
183 Electric Road
North Point, Hong Kong

Tel +852 2147 9678
Fax +852 2147 9879

milliman.com

30 May 2022

The Directors
FWD Group Holdings Limited
14 Taikoo Wan Road
Taikoo Shing
Hong Kong

ACTUARIAL CONSULTANT'S REPORT

Dear Directors,

1 INTRODUCTION

1.1. Background

FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) ("FWD Group," "FWD," "Company," "you," or "your") has prepared, in respect of FWD Group and its subsidiaries, the embedded value ("EV") and the value of new business ("VNB") for each calendar year over the period from 1 January 2019 to 31 December 2021 (referred to as the "track record period"). The EV is calculated as at 31 December 2019 ("2019 EV"), 31 December 2020 ("2020 EV") and 31 December 2021 ("2021 EV") (collectively referred to as "Valuation Dates"), while the VNB covers 12 months of sales for calendar years 2019 ("2019 VNB"), 2020 ("2020 VNB") and 2021 ("2021 VNB") respectively. The Company has also prepared additional analyses, including sensitivity tests on EV and VNB, determination of EV equity, EV operating profit, free surplus generation and distributable earnings and an analysis of movement in the EV by calendar year over the track record period. These results are collectively referred to as the "EV Results" and have been prepared by the Company. As supplementary information, the Company has also determined the VNB for calendar year 2018 ("2018 VNB") with results presented in Appendix F.

Milliman Limited ("Milliman," "we," "us" or "our") has been engaged by FWD Group to independently review and provide an opinion on the EV Results. This report ("Report") sets out the consolidated results as prepared by FWD Group over the track record period, and includes a description of the EV methodology and assumptions, details of our review and opinion, as well as the reliances and limitations applicable to our work. In accordance with the engagement letter dated 8 December 2020 and the addendum to that engagement letter dated 24 January 2022, this Report has been prepared for inclusion in this document (the "Document") in connection with the initial [**REDACTED**] ("[**REDACTED**]") of FWD Group on the Hong Kong [**REDACTED**]. This Report should be read in conjunction with the rest of the Document, which provides details of FWD Group's business and related risk factors. This Report should be read in its entirety, including the reliances and limitations, as individual sections, if considered in isolation, may be misleading.

Milliman is acting exclusively for FWD Group, and no one else, in connection with this [**REDACTED**]. This Report has been prepared for the purpose of inclusion in the Document. This Report should not be used for any other purpose without our prior written consent. Neither Milliman nor any employee of Milliman undertakes responsibility arising in any way whatsoever to any other party in respect of this Report contrary to the aforesaid purpose.

Except where otherwise stated, the figures quoted in this Report as at the Valuation Dates do not make allowance for any developments after those dates. The various monetary amounts specified are expressed in US Dollars ("USD").

1.2. FWD Group Structure

To facilitate the [**REDACTED**], the Company undertook a series of reorganisation activities to unify the ownership structure of the Group, involving the merger of FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) with PCGI Limited. Following the merger, PCGI Limited ceased to exist, with FWD Group, after reorganisation, being the immediate holding company of:

- FWD Limited; and
- FWD Group Limited

FWD Limited as at 31 December 2021 includes the following entities:

- FWD Life Insurance Company (Bermuda) Limited ("FWD Life (Bermuda)");
- FWD Life Insurance Company (Macau) Limited ("FWD Macau");
- FWD Life Assurance Company (Hong Kong) Limited ("FWD Life Assurance (Hong Kong)");
- FWD Life (Hong Kong) Limited ("FWD Life (Hong Kong)");
- FWD Vietnam Life Insurance Company Limited ("FWD Vietnam");
- FWD Assurance VietNam Company Limited ("FWD VCLI");
- FWD Takaful Berhad ("FWD Malaysia");

- FWD Financial Planning Limited;
- FWD Management Holdings Limited;
- Antede Limited;
- AMG Financial Group Limited (Hong Kong);
- AMG Wealth Management Limited;
- FWD Financial Limited;
- OGS (I) Limited (Cayman Islands);
- OGS (II) Limited (Cayman Islands);
- One George Street LLP (Republic of Singapore);
- Sky Accord Limited (Cayman Islands);
- Future Radiance Limited (Cayman Islands); and
- FWD Properties Limited (Hong Kong).

FWD Life (Bermuda), FWD Macau, FWD Life Assurance (Hong Kong) and FWD Life (Hong Kong) are the life insurance subsidiaries of FWD Limited. FWD Malaysia, FWD Vietnam and FWD VCLI are the life insurance subsidiaries of FWD Life (Bermuda). These subsidiaries are treated as separate entities, and the value from these entities is reported separately and not included within the results of FWD Life (Bermuda).

As at 31 December 2021, FWD Group Limited includes the following entities:

- FWD Life Insurance Corporation ("FWD Philippines");
- FWD Life Insurance Public Company Limited ("FWD Thailand");
- PT FWD Insurance Indonesia ("FWD Indonesia");
- FWD Singapore Pte. Ltd ("FWD Singapore");
- FWD Life Insurance Company, Limited ("FWD Life Japan");
- FWD Reinsurance SPC, Ltd. ("FWD Reinsurance");

- FWD Life Insurance (Cambodia) Plc. ("FWD Cambodia");
- FWD Group Services (Thailand) Co., Ltd;
- IPP Financial Advisers Pte. Ltd;
- PT FWD Asset Management;
- Pivot Fintech Pte. Ltd.; and
- PT Asuransi BRI Life ("BRI Life").

FWD Life Japan, FWD Reinsurance, FWD Thailand, FWD Indonesia, FWD Philippines and FWD Cambodia are life insurance subsidiaries of FWD Group Limited. FWD Singapore is a composite insurance subsidiary of FWD Group Limited. FWD Group Limited owns a minority 29.86% stake in BRI Life, a life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk.

Operating entities in this Report refer to life insurance subsidiaries and non-life insurance subsidiaries, as well as subsidiaries and associates of these entities[1]. Life insurance subsidiaries refer to life insurance companies, including composite insurers. Non-life insurance subsidiaries refer to entities that are general insurance companies, asset management companies and financial planning/broking firms. All other subsidiaries that are held in FWD Limited and FWD Group Limited and not listed above are classified as "non-operating entities" and form part of "corporate and other" adjustments.

The entities for which value of in-force ("VIF") and VNB results have been determined are referred to as "Business Units" in this Report. Several entities have been grouped as one Business Unit by FWD. The Business Units referred to in this Report are as follows:

- FWD HK collectively includes the following entities:
  - FWD Life (Bermuda)[2];
  - FWD Macau;
  - FWD Life Assurance (Hong Kong); and
  - FWD Life (Hong Kong).

1 Subsidiaries refer to companies in which the operating entity owns a majority stake, while associates refer to companies in which the operating entity owns a minority stake.

2 The life insurance subsidiaries of FWD Life (Bermuda) (i.e. FWD Malaysia, FWD Vietnam and FWD VCLI) are treated as separate entities and have been excluded from the results prepared for FWD Life (Bermuda).

- FWD Japan collectively includes the following entities:
  - FWD Life Japan; and
  - FWD Reinsurance[3]
- FWD Thailand
- FWD Indonesia
- FWD Malaysia
- FWD Philippines
- FWD Singapore
- FWD Vietnam
- FWD Cambodia
- BRI Life

PT FWD Life Indonesia ("FWD Life Indonesia") and SCB Life Assurance Public Company Limited ("SCB Life") were consolidated and merged into FWD Indonesia and FWD Thailand in December 2020 and October 2020, respectively. Where reference in this Report is made to FWD Indonesia and FWD Thailand, the historical results reported prior to the respective mergers include these entities.

No VIF or VNB have been determined for FWD VCLI and FWD Cambodia for the 2020 EV and 2020 VNB. FWD VCLI was acquired by FWD on 8 April 2020, and FWD Cambodia was acquired on 9 December 2020. The in-force reserves as at 31 December 2020 for these two entities combined were USD51 million. As the VIF and VNB are expected to be immaterial in the context of FWD Group EV and VNB, no value has been placed on the in-force and new business of these entities in 2020. The assumptions by Business Unit presented in Section 3 and Section 4 of this Report, therefore also exclude these entities. The 2021 EV Results include an allowance for VIF and VNB for FWD Cambodia. As for 2020, no VIF or VNB have been determined for FWD VCLI as these are expected to be immaterial in the context of FWD Group EV and VNB. The in-force statutory reserves as at 31 December 2021 for FWD VCLI amounted to USD63 million, accounting for less than 1% of the total in-force reserves of FWD Group.

For BRI Life, the 2021 EV has been calculated as at 30 November 2021 and the 2021 VNB is in respect of new business sales from acquisition to 30 November 2021. FWD's acquisition of a minority stake in BRI Life was completed on 2 March 2021.

[3] The business ceded to FWD Reinsurance is purely from wholly owned FWD Japanese entities. Hence FWD Reinsurance is included as part of FWD Japan.

The VNB has been presented by region, while the EV and other reporting metrics have been presented at a consolidated group level. The allocation of Business Units to each region is mapped out below:

- Hong Kong: FWD HK
- Thailand: FWD Thailand and FWD Cambodia
- Japan: FWD Japan
- Emerging Markets: FWD Indonesia, FWD Malaysia, FWD Philippines, FWD Singapore, FWD Vietnam and BRI Life

The EV Results in this Report represent a 49.0%[4] holding for FWD Malaysia, a 99.96%[5] holding in FWD Thailand, a 29.86% holding in BRI Life and a 100.0% holding for other entities (please see Section 3.6 of this Report).

1.3. Scope of Our Work

Our work involved the following:

- We have reviewed the methodology and derivation of assumptions used to determine the EV Results presented in this Report.
- We have reviewed the analysis that has been performed by FWD Group to support the risk discount rates adopted for the key Business Units, namely FWD HK, FWD Thailand and FWD Japan, with details described in Section 4.1 of this Report.
- For all Business Units, the VIF and VNB[6] have been derived using FWD's in-house models developed in Prophet, a proprietary modelling software provided by a third party, FIS (collectively referred to as the "Prophet models"). The compilation

4 The non-controlling interest percentage of 49.0% for FWD Malaysia represents FWD's share in the ordinary share capital of MYR 100 million issued. As at 31 December 2021, FWD Malaysia has also issued MYR 301 million of preference share capital to FWD. Taking into account the total share capital held by FWD (ordinary share capital plus preference share capital), the 2021 EV assumes a 100% economic interest in FWD Malaysia, aligned with the treatment adopted for the IFRS accounts. Similarly, the VNB for the second half of 2021 for FWD Malaysia is also based on a 100% economic interest. It is noted that this represents a methodology change since the third quarter of 2021. The 2019 EV and 2020 EV reflect an effective 79.1% and 83.0% share in EV to account for FWD's preference share ownership, while the 2018, 2019, 2020 and the first half of 2021 VNB have been prepared assuming a 49.0% share. This change in approach leads to no change to the 2021 EV and an increase in the 2021 VNB of USD3 million (or 0.5% of FWD Group 2021 VNB). It should be noted that the percentage share for future EV and VNB calculations will reduce from the 100% level assumed when the preference share capital issued to FWD is redeemed, consistent with the treatment adopted for IFRS reporting.

5 SCB Life was acquired by FWD Group in 2019 and consolidated into FWD Thailand at the end of December 2020. The 2020 and 2021 EV and VNB results represent a 99.96% holding in the merged FWD Thailand entity. The 2019 EV and 2019 VNB results represent a 99.17% holding in SCB Life and a 100.0% holding in FWD Thailand. The 2018 VNB results represent a 100.0% holding in FWD Thailand.

6 For FWD Japan, the 2018 VNB as presented in Appendix F has been produced using the company's previous in-house model developed using MoSes, a proprietary modelling software provided by a third party, WTW.

of results and any off-model adjustments have been carried out using Microsoft Excel ("Excel models" together with the Prophet Models, the "Valuation Models"). We have reviewed certain elements of the Valuation Models. In particular, we have carried out sample policy checks on the projected cash flows produced by the Valuation Models using profit-test spreadsheets we have set up internally, and reviewed the aggregate cash flows by product groups for reasonableness. For each Business Unit, our model review work where sample policy checks were performed has covered products making up at least 90% of statutory reserves (for VIF) and at least 90% of new business annual premium equivalent (for VNB).

- We have also performed checks on the EV Results by Business Unit and have reviewed the consolidated EV Results, including adjustments made in respect of unallocated Group Office expenses. Details of our review are provided in Section 6.3 of this Report.

The objective of our review was to confirm that the EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions described in this Report.

1.4. Structure of the Report

The various sections of this Report are set out as follows:

- Section 2: Key highlights – provides an overview of the EV Results
- Section 3: Methodology – provides details of the methodology adopted in the derivation of the EV Results
- Section 4: Assumptions – describes the assumptions used to calculate the EV Results
- Section 5: EV Results – sets out the EV Results, including sensitivity analysis
- Section 6: Milliman opinion – provides a formal opinion in respect of the EV Results
- Section 7: Reliances and limitations – sets out the reliances and limitations applicable to our work and to this Report
- Appendix A: Abbreviations used in this Report
- Appendix B: Key information received
- Appendix C: Exchange rates used in deriving the results
- Appendix D: Analysis of EV movement, net of financing
- Appendix E: Analysis of movement of free surplus, net of financing
- Appendix F: 2018 VNB Results

2 KEY HIGHLIGHTS

An overview of the EV Results across the track record period is presented in this section. While reading this section alone can provide a high-level summary, it does not give the full details, and this Report must be read in its entirety in order to be fully understood. Further details of the methodology, assumptions and EV Results, including sensitivity analyses, are set out in Sections 3, 4 and 5 and Appendices D, E and F of this Report.

An embedded value is an actuarial method of measuring of the consolidated value of shareholders' interests in the in-force business of an insurance company. It is an estimate of the economic value of life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. The EV is taken to be the sum of the adjusted net worth ("ANW") and value of in-force business ("VIF"), with the methodology defined in Section 3.1 of this Report.

Group EV represents the consolidated EV of FWD Group. In preparing the Group EV results, FWD has separated out the impact of financing, which comprises borrowings and perpetual securities. The Group EV results in this section have been presented gross and net of financing.

EV equity is defined to be the equity attributable to shareholders, and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. Consistent with the presentation of Group EV, Table 2.1 also includes the EV equity results before adjustment for financing.

The value of new business represents the value to shareholders arising from the new business issued during the relevant reporting period, with the methodology defined in Section 3.2 of this Report. VNB Margin is equal to VNB expressed as a percentage of new business annualised premium equivalent[7] ("NB APE") for the relevant reporting period. NB APE represents 100% of annualised first year premium and 10% of single premium. An alternative VNB Margin with VNB expressed as a percentage of the present value of new business premium ("PVNBP") has also been presented. PVNBP is the present value of projected new business premium discounted at the risk discount rates set out in Table 4.1. The VNB and VNB margins presented in this Report have been based on long term unit cost loadings. Using these long term unit cost loadings results in expense overruns in the short term. Further details of the expense overruns, including historical expense and commission variance across the track record period, are presented in Section 4.5 of this Report.

7 For FWD Malaysia's takaful business, the annualised premium equivalent is referring to the annualised contribution equivalent.

EV operating profits reflect the change in EV over the period, adjusted for non-recurring items[8]. They comprise expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before and after allowance for operating assumption changes and operating variances other than claims/persistency/expense variances.

Operating entity EV reflects the consolidated EV of the operating entities within FWD Group. It excludes corporate and other adjustments, which comprise corporate net assets, allowance for unallocated Group Office expenses and adjustment for financing.

Free surplus is defined as the excess of ANW over the required capital. The underlying free surplus generation represents the free surplus generated by FWD Group over the period, adjusted to exclude new business funding and certain non-recurring items. It excludes free surplus used to fund new business, investment return variances and other items, acquisitions, partnerships and discontinued business, capital movements and the impact of financing, but includes methodology updates relating to accounting changes. The net underlying free surplus generation represents the equivalent results after deducting the free surplus used to fund new business, while the adjusted net underlying free surplus generation includes adjustments for one-off variances.

Table 2.1: Summary of Group EV (in USD millions)

	As at 31 December			Change during 2020 (% 31 Dec 2019 results)		Change during 2021 (% 31 Dec 2020 results)	
Embedded value	**2019**	**2020**	**2021**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Gross of financing							
Group EV	6,933	9,102	9,861	30.3%	31.3%	14.6%	8.3%
- ANW	4,327	5,799	6,499	33.4%	34.0%	17.3%	12.1%
- VIF	2,606	3,303	3,362	25.3%	26.8%	9.8%	1.8%
Net of financing							
Group EV	1,463	3,761	5,731	148.3%	157.1%	75.7%	52.4%
- ANW	(1,143)	458	2,369	(140.8%)	(140.1%)	1,079.6%	417.3%
- VIF	2,606	3,303	3,362	25.3%	26.8%	9.8%	1.8%

	As at 31 December			Change during 2020 (% 31 Dec 2019 results)		Change during 2021 (% 31 Dec 2020 results)	
EV equity	**2019**	**2020**	**2021**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Group EV (gross of financing)	6,933	9,102	9,861	30.3%	31.3%	14.6%	8.3%
Plus: Goodwill and other intangible assets	3,382	3,349	3,334	(0.5%)	(1.0%)	5.1%	(0.4%)
EV equity (gross of financing)	10,315	12,451	13,195	20.3%	20.7%	12.1%	6.0%
EV equity (net of financing)	4,845	7,110	9,065	45.7%	46.8%	40.9%	27.5%

8 Non-recurring items include movements relating to acquisitions & partnerships/discontinued business, economic variance, economic assumption change, non-operating variance, capital movements, corporate adjustments, financing and foreign exchange movement. Please see Section 5.3 of this Report for further details.

	Year ending 31 December			YoY change in 2020		YoY change in 2021	
New business value	**2019**	**2020**	**2021**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
VNB	498	617	686	22.4%	24.0%	12.7%	11.1%
NB APE	1,125	1,692	1,446	49.3%	50.4%	(13.2%)	(14.5%)
PVNBP	5,915	10,160	9,095	70.1%	71.8%	(8.9%)	(10.5%)
VNB margin (VNB/NB APE)	44.2%	36.5%	47.4%	(8.0) pps	(7.7) pps	10.9 pps	10.9 pps
VNB margin (VNB/PVNBP)	8.4%	6.1%	7.5%	(2.4) pps	(2.3) pps	1.4 pps	1.5 pps

	Year ending 31 December			YoY change in 2020		YoY change in 2021	
EV operating profits	**2019**	**2020**	**2021**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Before operating assumption changes and other operating variances[(1)]	550	673	885	21.1%	22.4%	33.6%	31.5%
After operating assumption changes and other operating variances[(1)]	555	770	859	37.3%	38.8%	13.3%	11.5%

	Year ending 31 December			YoY change in 2020		YoY change in 2021	
Free surplus generation	**2019**	**2020**	**2021**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Underlying free surplus generation	597	654	456	9.4%	9.4%	(29.2%)	(30.2%)
Net underlying free surplus generation	182	248	(52)	36.8%	36.0%	(120.8%)	(121.2%)
Adjusted net underlying free surplus generation	103	135	95	30.1%	31.1%	(27.4%)	(29.6%)

Figures may not be additive due to rounding.

CER: Constant exchange rate (please refer to Section 3.5 for the definition of CER). AER: Actual exchange rate.

YoY = Year-on-year. pps = Percentage points.

NB APE = New business annualised premium equivalent = 100% of annualised first year premium plus 10% of single premium; PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

Note (1): Refers to all operating variances other than claims/persistency/expense variances

3 METHODOLOGY

The EV and VNB of FWD Group have been determined using a Traditional Embedded Value ("TEV") approach. This approach makes implicit allowance for the time value of financial options and guarantees and other risks associated with the realisation of the projected future profits through the use of a risk adjusted discount rate. The higher the risk discount rate, the greater the allowance for these risks. TEV methodology is commonly used by life insurance companies in Asia. Alternative approaches, such as those using "fair value" and "Market Consistent Embedded Value," have been developed, under which these types of risks, including the allowance for the time value of financial options and guarantees, are explicitly valued. The work performed by FWD to validate the consistency of the allowance for risk in the risk discount rates is described in Section 4.1 of this Report.

3.1. Embedded Value

The EV is taken to be the sum of the ANW and VIF.

The ANW represents the adjusted statutory net asset value attributable to shareholders. The ANW for each Business Unit comprises:

	the statutory net asset value, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis
plus/minus	mark-to-market adjustments for assets that have not been held on a market value basis
minus	the value of intangible assets

The ANW includes the statutory net asset value reported for the other operating entities not referred to as Business Units, including FWD VCLI, and non-life insurance subsidiaries. The ANW also includes adjustments for non-operating entities.

The ANW for non-operating entities reflects the reported International Financial Reporting Standards ("IFRS") equity, adjusted for subordinated perpetual capital securities issued through FWD Limited and zero coupon subordinated perpetual capital securities issued through FWD Group Limited (with a combined carrying value of USD1,608 million as at 31 December 2019, USD1,607 million as at 31 December 2020 and USD1,607 million as at 31 December 2021). These securities are treated as equity in the audited consolidated financial statements of FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) (referred to as "IFRS accounts"). The carrying value of these securities has been deducted in the ANW when determining the Group EV net of financing.

The VIF for each Business Unit represents the present value of future net-of-tax statutory profits arising from the in-force business as at the respective Valuation Dates less the cost of capital required to support the in-force business. The projected statutory profits include adjustments for maintenance expense overruns relating to in-force business and an additional allowance set aside to eliminate future negative statutory profits. The cost of capital is calculated as the present value of the net-of-tax investment return on shareholder assets backing required capital, plus the present value of any changes in required capital, less the face value of the required capital at the respective Valuation Dates.

The business covered in the VIF comprises all life insurance business, including medical, accident & health business managed by the Business Units. No allowance for VIF is reflected for non-life business.

An adjustment has been made to the VIF to reflect the present value of future unallocated Group Office expenses. This adjustment has been calculated as the present value of the projected unallocated Group Office expenses. As most of these expenses are incurred in Hong Kong Dollars, the future unallocated Group Office expenses have been discounted using the risk discount rate applicable to Hong Kong.

The Group EV is further split into operating entity EV and corporate and other adjustments. The operating entity EV reflects the consolidated EV of the operating entities within FWD Group before corporate and other adjustments. Corporate and other adjustments include the ANW of non-operating entities and a VIF adjustment for unallocated Group Office expenses.

The breakdown of ANW, Group EV and EV equity results is shown in Section 5.1 of this Report.

3.2. Value of New Business

The VNB for each Business Unit represents the value to shareholders arising from the new business issued during the relevant reporting period. The VNB reflects the present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. The VNB is calculated quarterly, based on assumptions applicable at the start of each quarter.

VNB covers all new life insurance sales with premiums paid and policies issued during the reporting period. Incremental premiums to existing contracts, if the increases are triggered by corresponding increases in benefits, are considered to be part of VNB.

The VNB results shown in this Report are based on long term unit costs rather than current expense levels and make no allowance for the value of acquisition expense and commission overruns in respect of the underlying new business. Further details are outlined in Section 4.5 of this Report.

3.3. Up-front Access Fees and Milestone Fees

Up-front access fees paid to distributors have been fully reflected in the ANW.

Milestone fees paid during each period have been accounted for as expenses and reflected in the VNB reported for the period.

3.4. Required Capital

Table 3.1 sets out the assumed levels of required capital for each Business Unit. The same level of required capital has been assumed across the track record period, with the exception of FWD Thailand, FWD Philippines and FWD Singapore.

For FWD Thailand, the local regulator introduced a revised risk-based capital regime, RBC 2, effective from 31 December 2019. During the transition period of two years from the date of RBC 2 implementation, the minimum Capital Adequacy Ratio has been set at 120%. This has been reflected in the EV Results except for the 2018 VNB and 2019 VNB. The 2018 VNB and 2019 VNB are based on 140% of the regulatory risk-based capital requirement under the earlier capital regime, RBC 1.

For FWD Philippines, the local regulator introduced some temporary relief measures, with the required minimum solvency level reduced from 125% to 100% for part of 2020. This temporary reduction in solvency capital has been reflected in the 2020 EV[9] and 2020 VNB. Prior to 2020 and from 2021 onwards, the EV and VNB have been based on 125% of the regulatory risk-based capital requirement.

For FWD Singapore, a new risk-based capital requirement (RBC 2) became effective on 31 March 2020. From 2020 onwards, the EV and VNB have been based on required capital of 135% of the RBC 2 risk requirement. Prior to 2020, the EV and VNB have been based on the earlier capital regime (RBC 1), with required capital set equal to 180% of the RBC 1 risk requirement.

Table 3.1: Required capital by Business Unit

Business Units	Results	Required Capital
FWD HK	All	150% of required minimum solvency margin
FWD Japan	All	600% of regulatory risk-based capital requirement for FWD Life Japan
		400% of regulatory risk-based capital requirement for FWD Reinsurance
FWD Thailand	2018 VNB	140% of regulatory risk-based capital requirement (RBC 1)
	All other results	120% and 140% of regulatory risk-based capital requirement for 2020-2021 and 2022 onwards respectively (RBC 2)
FWD Indonesia and BRI Life	All	120% of regulatory risk-based capital requirement

9 The temporary reduction affects the split of the ANW between free surplus and required capital as at 31 December 2020, although not the total EV.

Business Units	Results	Required Capital
FWD Malaysia	All	195% of regulatory risk-based capital requirement
FWD Philippines	2020 EV, 2020 VNB	100% of regulatory risk-based capital requirement for 2020, 125% thereafter
	All other results	125% of regulatory risk-based capital requirement
FWD Singapore	2018 VNB, 2019 EV, 2019 VNB	180% of regulatory risk-based capital requirement (RBC 1)
	All other results	135% of regulatory risk-based capital requirement (RBC 2)
FWD Vietnam	All	100% of required minimum solvency margin
FWD Cambodia	All	100% of required minimum solvency margin

The Hong Kong Insurance Authority introduced a new group-wide supervision framework, which became effective on 29 March 2021. FWD Group has performed an internal study and concluded that the implementation of the group-wide supervisory framework is not expected to introduce any additional cost of capital requirements to those set out in this Report.

3.5. Exchange Rates

The exchange rates set out in Appendix C to this Report, applicable as at the respective Valuation Dates, have been used to convert the EV figures from local currency to USD for each Business Unit. The 2018 VNB and 2019 VNB and the EV operating profit across the track record period, as shown in the analysis of EV movement, have been converted using average year-to-date exchange rates applicable in each calendar year. The 2020 VNB and 2021 VNB have been calculated quarterly using the quarterly average exchange rates applicable.

In Table 2.1, the change in results based on actual exchange rates ("AER") has been calculated by converting the local currency results for each Business Unit to USD using the exchange rates set out in Appendix C to this Report. The change in EV and EV equity based on constant exchange rate ("CER") has been calculated by converting the local currency results for each Business Unit to USD using the end of period exchange rate applied to both the results at the end of the period and the results at the end of the prior period. The change in VNB, EV operating profits and free surplus generation based on CER has been calculated by converting the local currency results to USD using the average exchange rates observed for the current reporting period, applied to both results in the current period and results in the prior period.

3.6. Non-controlling Interest

The EV Results exclude the value attributable to any non-controlling interest, which means they represent a 49.0% holding for FWD Malaysia, a 99.96%[10] holding in FWD Thailand, a 29.86% holding in BRI Life and a 100.0% holding for other Business Units. For FWD Malaysia, there has been a change in methodology whereby the 2021 EV and VNB prepared for the second half of 2021 assume a 100% economic interest in the Company; further details of this change are provided in in footnote 4 of this Report.

3.7. Reorganisation

The EV Results presented across the track record period have been determined based on the adjusted financial statements[11] prepared by the Company pursuant to the reorganisation of FWD Group, as described in first paragraph of Section 1.2 of this Report. Further details of the reorganisation activities and the basis on which the adjusted financial statements have been prepared are presented in the IFRS accounts.

4 ASSUMPTIONS

This section provides a summary of the assumptions used to determine the EV Results.

4.1. Economic Assumptions

The economic assumptions for each Business Unit have been set based on long term returns on assets as prescribed by FWD Group. The long term returns have been set with reference to FWD Group's long term outlook for the economy, interest rates and asset class yields. An adjustment has been included to grade the economic assumptions from the current market yields observed at the respective Valuation Dates to the assumed long term returns.

For each Business Unit, the investment returns have been determined by applying the projected annual returns by major asset category to the assumed asset mix. The asset mix has been determined based on current and future target asset allocations. Within each Business Unit, the investment returns may differ by product group or by fund.

The risk discount rate for each Business Unit has been set by FWD Group. The difference between the risk discount rate and the risk-free rate of return (set with reference to 10-year government bond yields) is referred to as the "risk margin." The risk margin is intended to represent the level of additional return an investor might consider to be appropriate to reflect the underlying risk of the business.

---

10 Please see footnote 5 of this Report.

11 Please see Note 6 of audited IFRS accounts.

To provide assurance that the economic assumptions are internally consistent with current economic conditions as at the respective Valuation Dates, FWD has also performed an analysis to assess if the risk discount rate used for key Business Units, namely FWD HK, FWD Japan and FWD Thailand, on its TEV basis is appropriate by comparison with the implied risk discount rate resulting from equating the TEV with a Market Consistent Embedded Value ("MCEV") calculation performed by FWD. The analysis has been conducted on the EV reported at each calendar year-end over the track record period. The approach of using an MCEV analysis to support the risk discount rate is common practice for insurers that report TEV results.

Table 4.1 sets out the risk discount rates, current market 10-year government bond yields, long term 10-year government bond yields assumed in the EV calculations, and local equity returns assumed in the EV Results as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021. VNB has been calculated quarterly, based on the economic assumptions at the start of the quarter.

Table 4.1: Economic assumptions

	Risk discount rates				Current market 10-year Government Bond Yields			
Business Units	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
FWD HK	7.50%	7.25%	7.20%	7.20%	2.69% (USD); 2.03% (HKD)	1.92% (USD); 1.79% (HKD)	0.93% (USD); 0.74% (HKD)	1.52% (USD); 1.51% (HKD)
FWD Japan	6.00%	6.00%	6.00%	6.00%	0.00%	(0.02%)	0.02%	0.07%
FWD Thailand	9.05%	8.80%	8.30%	8.30%	2.51%	1.49%	1.28%	1.90%
FWD Indonesia and BRI Life	14.00%	14.00%	14.00%	14.00%	8.00%	7.05%	5.94%	6.37%
FWD Malaysia	NA	9.00%	9.00%	9.00%	4.10%	3.32%	2.68%	3.59%
FWD Philippines	12.00%	12.00%	12.00%	12.50%	7.05%	4.48%	2.99%	4.72%
FWD Singapore	7.50%	7.50%	7.00%	7.00%	2.04%	1.74%	0.84%	1.67%
FWD Vietnam	13.00%	12.50%	11.50%	10.75%	5.17%	3.38%	2.45%	2.10%
FWD Cambodia	NA	NA	NA	11.50%	NA	NA	NA	NA(1)
Group Office expense adjustments	7.50%	7.25%	7.20%	7.20%	NA	NA	NA	NA

	Long Term 10-Year Government Bond Yields				Local Equity Returns			
Business Units	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
FWD HK	3.00% (USD); 2.50% (HKD)	2.75% (USD); 2.25% (HKD)	2.40% (USD); 1.90% (HKD)	2.40% (USD); 1.90% (HKD)	8.00%	7.75%	7.40%	7.40%
FWD Japan	0.25%	0.25%	0.25%	0.25%	5.30%	5.30%	NA	NA
FWD Thailand	3.50%	3.25%	2.75%	2.75%	9.30%	9.05% (9.00% for SCB Life)	8.50%	8.50%
FWD Indonesia and BRI Life	7.50%	7.50%	7.50%	7.50%	12.50%	12.00%	11.70%	11.50%
FWD Malaysia	NA	4.00%	4.00%	4.00%	NA	8.46%	8.10%	8.79%
FWD Philippines	4.75%	4.75%	4.75%	5.25%	10.60%	10.60%	10.60%	8.80%
FWD Singapore	2.75%	2.75%	2.25%	2.25%	NA	NA	NA	NA
FWD Vietnam	6.00%	5.50%	4.50%	4.00%	11.20%	11.20%	10.20%	9.70%
FWD Cambodia	NA	NA	NA	NA(1)	NA	NA	NA	NA(1)
Group Office expense adjustments	NA	NA	NA	NA	NA	NA	NA	NA

NA: Not applicable as Business Unit was acquired after the Valuation Date, or if the assumption is not used in the valuation.

Note (1): NA as the investment return assumption for FWD Cambodia has been set with reference to fixed deposit rates.

In addition, FWD HK allocates a significant proportion of assets to private equity investments for certain participating products. The private equity investment return assumption has been set by FWD Group based on a 7.35% p.a. risk premium margin above the USD 10-year long term government bond yield. This equates to long term return assumptions for this asset class of 10.35% p.a., 10.10% p.a., 9.75% p.a. and 9.75% p.a. for the 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 valuation dates, respectively. FWD Group has derived these assumptions from internal investment management views based on historical performance of the broad private equity market, the Company's actual alternative portfolio returns and market forecasts that predict return premia on private investments over public equity.

4.2. Persistency

Persistency assumptions include lapses, premium holidays, partial withdrawals and renewals. The assumptions differ by policy year and are usually split by product or product type. They have been determined by each Business Unit based on historical experience where statistically credible, with allowance for current and future trends and with reference to pricing assumptions where the data available is limited or not statistically credible.

4.3. Mortality

Mortality assumptions have been determined by each Business Unit based on historical experience where statistically credible and with reference to either pricing assumptions or industry experience where there is limited claims experience available. The assumptions have been expressed as a percentage of either a standard industry experience table, or set as a percentage of reinsurance rates.

For the following Business Units, an allowance has also been made for future mortality improvement (set with reference to a combination of population, industry and company experience):

- FWD HK: Mortality improvement has been applied on all lines of business.

- FWD Japan: Mortality improvement rate has been applied on certain products, namely "Medical Check," Accident & Health and annuity products.

4.4. Morbidity

Similar to mortality, morbidity assumptions have been developed based on historical experience where statistically credible, with allowance for current and future trends, and with reference to pricing assumptions where the data available is limited or not statistically credible. The assumptions have either been set as a percentage of reinsurance rates or expressed as a loss ratio applied to the premium earned.

4.5. Expenses

The expense assumptions have been set by each Business Unit considering both historical experience and projected expenses in the relevant business plans. Using these expense assumptions results in expense and commission overruns in the short term, as the aggregated amounts in the Valuation Models are lower than current operating expense and commission-related costs. These overruns are expected to reduce over time based on business plan forecasts prepared by the Business Units.

The long term unit cost loadings have been set to support the general operating expenses in line with approved business plans. Any one-off and non-recurrent expenses have been excluded from the expense loadings. FWD Group's justification for using long term unit cost loadings is that expense and commission overruns are expected to be eliminated in the short to medium term. The results, therefore, are reliant on the ability of the Business Units to reduce these expense and commission overruns as planned.

Acquisition expense overruns

Using these long term unit cost loadings, the present value of the projected acquisition expense and commission overruns by region, based on the approved business plans prepared by the Business Units at the respective Valuation Dates, are set out in Table 4.2. The overruns exclude one-off and non-recurrent expenses, are net of corporate tax[12] and have been discounted at the respective risk discount rate applicable to each Business Unit shown in Table 4.1.

Table 4.2: Breakdown of present value of acquisition expense and commission overruns (after tax) as per approved business plans by region (in USD millions)

Region	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
Hong Kong	(24)	(59)	(26)
Japan	(62)	(35)	(6)
Thailand	(91)	(27)	(16)
Emerging Markets	(244)	(131)	(121)
Total	**(422)**	**(252)**	**(170)**

Figures may not be additive due to rounding.

12 No corporate tax has been applied to Business Units that are in a fiscal tax loss position as at the respective Valuation Dates.

Maintenance expense overruns – VIF adjustment

The VIF includes deductions relating to future maintenance expense overruns for in-force business based on the latest business plans of the Business Units. The provision for expense overruns assumed in the VIF excludes future acquisition expense and commission overruns, any expected one-off and non-recurrent expenses, and future maintenance expense overruns for new business that was not in-force as at the respective Valuation Dates. The present value of these maintenance expense overruns (net of corporate tax) by region over the track record period, as reflected in the VIF is set out in Table 4.3.

Table 4.3: Breakdown of present value of maintenance expense overruns (after tax) allowed for within VIF by region (in USD millions)

	Present value of maintenance expense overruns allowed for within the VIF (after tax)		
Region	**As at 31 Dec 2019**	**As at 31 Dec 2020**	**As at 31 Dec 2021**
Hong Kong	(35)	(7)	(15)
Japan	(13)	(8)	(5)
Thailand	(95)	(24)	(22)
Emerging Markets[(1)]	(32)	(26)	(32)
Total	**(176)**	**(65)**	**(73)**

Figures may not be additive due to rounding.

Note (1): The present value of maintenance expense overruns (after tax) presented in Table 4.3 reflects a 49% share for FWD Malaysia as at 31 December 2019 and as at 31 December 2020 and a 100% share as at 31 December 2021. The change is to align with the treatment of FWD Malaysia's non-controlling interest, as described in Section 3.6 of this Report, with the revision leading to a USD 5 million increase in the present value of maintenance expense overruns as at 31 December 2021.

Operating expense and commission variance

The EV and VNB results have been based on long term unit cost loadings. Based on these assumptions, most Business Units reported a negative expense and commission variance across the track record period, i.e. the long term unit cost loadings are less than the actual operating expenses and commission payments. Operating expense and commission variance is net of corporate tax and reflects the aggregate expense and commission loadings included in the Valuation Models less the actual expense and commissions incurred in the period. The operating expense and commission variance over the track record period has been quantified separately by region in Table 4.4. The aggregate loadings include the release of the maintenance expense overruns allowed for in the VIF (please see Table 4.3).

Table 4.4: Breakdown of operating expense and commission variance by region (in USD millions)

Region	**2019**	**2020**	**2021**
Hong Kong	(53)	(49)	(45)
Japan	(52)	(47)	(33)
Thailand	(23)	(47)	(41)
Emerging Markets	(90)	(96)	(91)
Total	**(218)**	**(240)**	**(210)**

Figures may not be additive due to rounding.

FWD Group has provided a further breakdown of the operating expense and commission variance into acquisition expense and commission-related expense variance, and maintenance expense variance, as presented in Table 4.5. It is noted that the actual expense and commission variance across the track record period has been high compared to the expense overrun forecast presented in Table 4.2. This is primarily due to the prolonged effect of the COVID-19 pandemic, leading to sales and persistency experience being worse than anticipated, and also a decline in sales of Corporate Owned Life Insurance ("COLI") business in Japan following changes to tax regulations in 2019.

Table 4.5: Breakdown of operating expense and commission variance for operating entities (in USD millions)

	2019	**2020**	**2021**
Acquisition expense and commission-related expense variance	(211)	(199)	(161)
Maintenance expense variance	(7)	(40)	(49)
Operating expense and commission variance	**(218)**	**(240)**	**(210)**

Figures may not be additive due to rounding.

The operating expense and commission variances set out in Tables 4.4 and 4.5 exclude any one-off and non-recurrent expenses. These one-off and non-recurrent expenses relate to costs incurred by Business Units to cover FWD Group initiatives and project-related spending (e.g. integration costs). They have been treated as non-operating expenses and presented separately in Table 5.10.

Group Office expenses – VIF adjustment

Group Office expenses are divided into two categories: allocated and unallocated expenses. The allocated Group Office expenses have been charged directly to Business Units and accounted for in the expense studies prepared by each Business Unit when determining expense loadings. The unallocated Group Office expenses are incurred in respect of shareholder services and other developments. These expenses have all been included in the consolidated EV, as FWD Group does not split them into acquisition and maintenance expenses.

The adjustment for unallocated Group Office expenses has been calculated as the present value of the projected unallocated Group Office expenses, discounted at the risk discount rates applicable for Hong Kong. The unallocated Group Office expenses do not include expenses attributable to FWD Group's strategic initiatives, as no shareholder value has yet been placed on these initiatives. Any costs relating to these initiatives will be captured as a reduction to ANW as they are incurred. The projection of unallocated Group Office expenses for the first five years is based on FWD Group's internal business plan. From year six to year ten, FWD Group has assumed that the unallocated Group Office expenses will reduce as more expenses can be allocated to Business Units, with unallocated Group Office expenses from years eleven to fifteen growing at the inflation rate assumed for Hong Kong of 2.3% p.a. A 15-year period has been used to reflect the run-off of in-force business, in line with FWD Group EV policy (referred to as "EV Policy"). The same term and inflation assumption has been used for each year of the track record period.

The present value of the unallocated Group Office expenses allowed for in the VIF is set out in Table 4.6. Any movement relating to unallocated Group Office expenses has been captured within the corporate adjustment item in the analysis of EV movement (please see Table 5.9).

Table 4.6: Present value of unallocated Group Office expenses allowed for within VIF (in USD millions)

	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
Unallocated Group Office expenses	(483)	(554)	(557)

Figures may not be additive due to rounding.

4.6. Expense Inflation

The assumed long term expense inflation rates used by the Business Units at the respective Valuation Dates is set out in Table 4.7.

Table 4.7: Expense inflation rate (% p.a.)

Business Units	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
FWD HK	2.3%	2.3%	2.3%
FWD Japan	0.0%	0.0%	0.0%
FWD Thailand	2.5% (2.0% for SCB Life business)	2.0%	2.0%
FWD Indonesia and BRI Life	3.5%	3.5%	3.5%
FWD Malaysia	3.0%	3.0%	3.0%
FWD Philippines	3.0%	3.0%	3.0%
FWD Singapore	3.0%	3.0%	3.0%
FWD Vietnam	7.0%	7.0%	5.0%
FWD Cambodia	NA	NA	5.0%

NA: Not applicable as business was either not valued or acquired post Valuation Date.

4.7. Reinsurance

The reinsurance assumptions have been developed based on the reinsurance arrangements in-force as at the respective Valuation Dates for each Business Unit, with reference to historical and expected future experience.

4.8. Dividends, Profit Sharing and Crediting Rates

The projected dividends, profit sharing and crediting rate assumptions have been determined by each Business Unit taking into account the investment return assumptions and profit sharing rules (from regulatory and/or internal governance requirements), as well as other commercial considerations such as market competition and policyholders' reasonable expectations.

4.9. Taxation

The projected statutory profits used to determine the EV and VNB are net of corporate tax. The projections take into account, where applicable, any benefits arising from tax losses carried forward, and have been based on a continuation of the current tax legislation in each jurisdiction. The corporate tax rates used by each Business Unit at the respective Valuation Dates are set out in Table 4.8.

Table 4.8: Corporate tax rates (%)

Business Units	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
FWD HK	16.5%	16.5%	16.5%
FWD Japan	28.0%	28.0%	28.0%
FWD Thailand	20.0%	20.0%	20.0%
FWD Indonesia and BRI Life[13]	25.0%	22.0% for 2020 and 2021, 20.0% thereafter	22.0%
FWD Malaysia	24.0%	24.0%	24.0%
FWD Philippines[14]	2.0%	2.0%	1.0% from 1 July 2020 to 30 June 2023, 2.0% thereafter (See Note (1))
FWD Singapore	17.0%	17.0%	17.0%

13 The corporate tax rate for FWD Indonesia used to determine the EV and VNB in 2020 and 2021 has been revised from the previous years to reflect the recent tax stimulus announced by the Indonesian government in response to the COVID-19 pandemic.

14 For the Philippines, corporate tax in any year is based on the greater of: (i) corporate income tax, where taxable income excludes investment income that is already subject to investment income tax; and (ii) minimum corporate income tax. The projected statutory profits for FWD Philippines have been based on minimum corporate income tax, aligned with the Business Unit's current tax position. The corporate tax rate set out in Table 4.8 reflects the tax rate applicable for the calculation of minimum corporate income tax.

Business Units	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
FWD Vietnam	0% until 31 Dec 2024, 20.0% thereafter	0% until 31 Dec 2024, 20.0% thereafter	0% until 31 Dec 2026, 20.0% thereafter (See Note (2))
FWD Cambodia	NA	NA	20.0%

NA: Not applicable as business was acquired post Valuation Date.

Note (1): Reflects updates to the Corporate Recovery and Tax Incentive for Enterprises Act executed in March 2021, where the Minimum Corporate Income Tax was reduced to 1% effective from 1 July 2020, retrospectively, up to 30 June 2023.

Note (2): 0% until 2026 due to tax losses; 20.0% from 2027 onwards.

Given the uncertainty around the timing of dividend distributions, no allowance has been made to the EV Results to reflect any withholding or remittance taxes that may be applicable on any future dividend distributions from the Business Units to FWD Group. FWD Group has performed certain projections on the withholding tax position of the relevant Business Units and concluded the impact to the EV Results as at 31 December 2021 would be immaterial (approximately 1% of the operating entity EV), and we have relied on FWD Group's internal assessment in this respect. The analysis has been reviewed and endorsed by FWD Group's independent tax advisors.

4.10. Statutory Valuation Basis

The EV Results have been based on reserves being projected in line with the prevailing regulatory framework applicable in each jurisdiction as at the respective Valuation Dates.

4.11. Product Charges

The management fees and product charges reflect those that were applicable as at the respective Valuation Dates.

4.12. Events After the Reporting Period

Details of the significant events after the last reporting date (i.e. 31 December 2021) are set out in Note 38 to the IFRS accounts.

5 EV RESULTS

5.1. Embedded Value

A summary of the Group EV as at each of the respective Valuation Dates is set out in Table 5.1. The levels of required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected, and are listed in Table 3.1.

Table 5.1: Breakdown of Group EV (in USD millions)

	As at 31 Dec 2019			As at 31 Dec 2020			As at 31 Dec 2021		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Operating entity EV	3,960	3,088	7,048	4,622	3,857	8,479	4,870	3,918	8,789
Plus: Corporate & Other net assets	368	–	368	1,176	–	1,176	1,629	–	1,629
Less: Unallocated Group Office expenses	–	(483)	(483)	–	(554)	(554)	–	(557)	(557)
Group EV (gross of financing)	4,327	2,606	6,933	5,799	3,303	9,102	6,499	3,362	9,861
Less: Financing	(5,470)	–	(5,470)	(5,341)	–	(5,341)	(4,130)	–	(4,130)
Group EV (net of financing)	(1,143)	2,606	1,463	458	3,303	3,761	2,369	3,362	5,731

Figures may not be additive due to rounding.

The Group EV (gross of financing) increased by USD2,169 million in 2020 (from USD6,933 million as at 31 December 2019 to USD9,102 million as at 31 December 2020) and by USD759 million in 2021 (from USD9,102 million as at 31 December 2020 to USD9,861 million as at 31 December 2021) while the Group EV (net of financing) increased by USD2,298 million in 2020 (from USD1,463 million as at 31 December 2019 to USD3,761 million as at 31 December 2020) and by USD1,970 million in 2021 (from USD3,761 million as at 31 December 2020 to USD5,731 million as at 31 December 2021. The positive change in EV in 2020 primarily comes from capital injections of USD2,408 million made in the year, offset by the cost of acquiring new entities (including acquisition of new distribution channels), where the acquisition price exceeded the EV contributed by these entities. The increase in Group EV in 2021 is largely driven by the capital raised during the period of USD2,389 million through the issuance of ordinary shares (USD1,989 million) and through transactions with non-controlling interests (USD400 million)[15] and offset by the debt repayment of USD(1,255) million and movements in foreign exchange rates of USD(487) million. The offset in respect of debt repayment only affects the Group EV gross of financing, as debt has already been deducted in the Group EV net of financing.

[15] Please refer to Note 29.1 and Note 29.5(i) to the IFRS accounts.

A summary of the financing, split into borrowings and perpetual securities, is presented in Table 5.2. Perpetual securities have been further subdivided between external (i.e. securities sold to external parties) and intercompany securities. External perpetual securities have been treated as equity in the IFRS accounts, with the carrying value of these securities deducted in the EV net of financing (please see Table 5.4).

Further details of the movement in EV are presented in Section 5.3 of this Report, as well as in Appendix D.

Table 5.2: Breakdown of FWD Group financing (in USD millions)

	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
Borrowings (1)[16]	(3,598)	(3,457)	(2,212)
Intercompany perpetual securities (2)	(264)	(276)	(311)
External perpetual securities (3)	(1,608)	(1,607)	(1,607)
Total financing (4) = (1) + (2) + (3)	(5,470)	(5,341)	(4,130)

Figures may not be additive due to rounding.

EV Equity

EV equity is defined to be the equity attributable to shareholders and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. Table 5.3 shows the results on an EV equity basis as at the respective Valuation Dates. The goodwill represents the excess of the cost of acquisition as recognised in the IFRS accounts (net of impairments), while other intangible assets reflect the bancassurance access fees (net of deferred payments) paid by FWD Thailand, FWD Indonesia, FWD Philippines, FWD Vietnam and BRI Life in respect of distribution through The Siam Commercial Bank Public Company Limited ("SCB"), PT Bank Commonwealth, Security Bank, An Binh Commercial Joint Stock and Nam A Commercial Joint Stock Bank, and PT Bank Rakyat Indonesia (Persero) Tbk respectively.

Consistent with the presentation of Group EV, Table 5.3 also includes the EV equity results before adjustment for financing.

16 The balance of borrowing as at 31 December 2019, 31 December 2020 and 31 December 2021 disclosed in the IFRS accounts was USD3,448 million, USD3,457 million and USD2,212 million respectively. The difference as at 31 December 2019 of USD150 million relates to shareholder loans from PCGI Holdings Limited.

Table 5.3: Breakdown of EV equity (in USD millions)

	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
Group EV (gross of financing)	6,933	9,102	9,861
Plus: Goodwill and other intangible assets	3,382	3,349	3,334
EV equity (gross of financing)	10,315	12,451	13,195
Less: Financing			
– Borrowings	(3,598)	(3,457)	(2,212)
– Perpetual securities	(1,872)	(1,883)	(1,917)
EV equity (net of financing)	4,845	7,110	9,065

Figures may not be additive due to rounding.

Reconciliation of ANW from IFRS Equity

The ANW has been derived from the IFRS equity as presented in the IFRS accounts as at the Valuation Dates, and incorporates various adjustments including:

- Elimination of IFRS deferred acquisition and origination cost assets
- Difference between IFRS and local statutory asset and liability items
- Mark-to market adjustments for property and mortgage loan investments, net of amounts attributable to participating funds
- Elimination of intangible assets including goodwill, bancassurance access fees, computer software and other intangible assets
- Recognition of deferred tax impacts of the above adjustments
- Recognition of non-controlling interest impacts of the above adjustments in respect of FWD Thailand and FWD Malaysia
- Negative adjustment reflecting the carrying value of external perpetual securities, as these securities are treated as equity in the IFRS accounts

The IFRS equity that has been prepared across the track record period has been adjusted to allow for the merger with PCGI Limited as part of the reorganisation exercise carried out prior to the [**REDACTED**].

Reconciliation of the IFRS equity after PCGI adjustment attributable to shareholders and ANW as at the respective Valuation Dates for FWD Group are presented in Table 5.4.

Table 5.4: Reconciliation of FWD Group IFRS equity and ANW (USD millions)

	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2021
IFRS equity attributable to shareholders after PCGI adjustment (1)[17]	5,554	8,218	8,946
Elimination of IFRS deferred acquisition and origination costs assets (2)	(3,767)	(4,591)	(4,771)
Difference between IFRS and local statutory asset and liability items (3)	1,980	2,024	3,070
Difference between net IFRS and local statutory asset and liability items (4) = (2) + (3)	(1,786)	(2,566)	(1,701)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds (5)	128	(128)	93
Elimination of intangible assets (6)[18]	(3,487)	(3,531)	(3,549)
Recognition of deferred tax impacts of the above adjustments (7)	78	80	187
Recognition of non-controlling interest impacts of the above adjustments (8)	(21)	(7)	(1)
Elimination of external perpetual securities (9)	(1,608)	(1,607)	(1,607)
ANW (net of financing) (10) = (1) + (4) + (5) + (6) + (7) + (8) + (9)	(1,143)	458	2,369

Figures may not be additive due to rounding.

Breakdown of ANW

A breakdown of the ANW between required capital and free surplus as at the respective Valuation Dates are set out in Table 5.5. The required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected, and are summarised in Table 3.1. For corporate and other adjustments, the free surplus covers corporate and other net assets, while financing has been reflected as a separate item.

17 The IFRS equity after PCGI adjustment 31 December 2019, 31 December 2020 and 31 December 2021 disclosed in Note 6.3 of the IFRS accounts was USD5,592 million, USD8,225 million and USD8,947 million respectively. The difference is due to equity attributable to non-controlling interests, which has been deducted in the figures presented in Table 5.4.

18 The value of intangible assets as at 31 December 2021 disclosed in Note 12 of the IFRS accounts was USD 3,348 million. The difference relates to intangible assets attributed to BRI Life and FWD VCLI, which has been included under "Investment in associates and a joint venture" in the IFRS accounts.

Table 5.5: Breakdown of ANW of FWD Group (in USD millions)

	As at 31 Dec 2019			As at 31 Dec 2020			As at 31 Dec 2021		
	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total
Free surplus	2,397	368	2,765	2,879	1,176	4,055	2,843	1,629	4,471
Required capital	1,562	–	1,562	1,744	–	1,744	2,028	–	2,028
Less: Financing	–	(5,470)	(5,470)	–	(5,341)	(5,341)	–	(4,130)	(4,130)
ANW (net of financing)	3,960	(5,103)	(1,143)	4,622	(4,164)	458	4,870	(2,501)	2,369

Figures may not be additive due to rounding.

Op. Entity: Operating entities.

Corp. & others: Reflects corporate and other adjustments.

Earnings Profile

The projected after-tax distributable earnings of FWD Group on a discounted and undiscounted basis for the in-force business as at 31 December 2019, as at 31 December 2020 and as at 31 December 2021 are set out in Table 5.6.

The net-of-tax distributable earnings are defined as the profits distributable to shareholders from the assets backing the statutory reserves and the required capital of in-force business as at the respective Valuation Dates. On a discounted basis, the total net-of-tax distributable earnings is equal to the sum of the required capital and the VIF for the Business Units and corporate and other adjustments.

Table 5.6: Cash flow profile of net-of-tax distributable earnings for FWD Group in-force business (in USD millions)

Expected period	As at 31 Dec 2019		As at 31 Dec 2020		As at 31 Dec 2021	
of emergence	Undiscounted	Discounted	Undiscounted	Discounted	Undiscounted	Discounted
1 – 5 years	887	676	747	498	1,552	1,219
6 – 10 years	2,297	1,273	2,900	1,664	2,737	1,586
11 – 15 years	2,229	889	2,699	1,117	2,344	977
16 – 20 years	1,554	458	1,984	596	1,824	548
21 years and thereafter	14,208	872	17,823	1,171	15,128	1,059
Total	21,175	4,168	26,153	5,047	23,584	5,389

Figures may not be additive due to rounding.

The discounted value of net-of-tax distributable earnings (2019: USD4,168 million, 2020: USD5,047 million, 2021: USD5,389 million) plus free surplus (2019: USD2,765 million, 2020: USD4,055 million, 2021: USD4,471 million) less financing (2019: USD(5,470) million, 2020: USD(5,341) million, 2021: USD(4,130) million) is equal to the EV (net of financing) (2019: USD1,463 million, 2020: USD3,761 million, 2021: USD5,731 million).

5.2. Value of New Business

The VNB and VNB margins for new business written for the track record period are presented in Table 5.7 and Table 5.8 respectively, split by region. Figures do not include allowance for expense and commission overruns in respect of the underlying new business. Details of the historical operating expense and commission variance over the track record period by region are set out in Table 4.5. The equivalent VNB and VNB margins for calendar year 2018, together with a breakdown of the operating expense and commission variance for 2018, are presented separately in Appendix F.

For each region, the VNB has been further split into the following segments:

- Hong Kong: Split between "Onshore"[19] and "Offshore" business

- Japan: Split between COLI business, one-off retrocession reinsurance business to FWD Reinsurance (referred to as "RI") from Swiss Reinsurance Company Ltd ("Swiss Re"), and individual line of business ("Individual")

- Thailand: Split between business generated through Thai Military Bank ("TMB"), business generated through SCB and the other distribution channels of SCB Life (reported under "SCB" in Table 5.7, Table 5.7a, Table 5.8 and Table F.3), and all other lines of business ("Others")

- Emerging Markets: Split between business generated through acquisitions and partnerships (i.e. business sold through FWD Malaysia, PT Bank Commonwealth, the other distribution channels of PT Commonwealth Life, Vietcombank, and BRI Life) ("Acquisitions & partnerships"), business lines that have been terminated in the track record period (i.e. employee benefit business written in Singapore) ("Discontinued business") and all other lines of business ("Others")

[19] FWD defines the split of "Onshore" and "Offshore" business for Hong Kong according to the policyholder's identity number. Where the policyholder has a Hong Kong SAR identity number, the policy is classified as Onshore. Otherwise it is classified as Offshore.

Table 5.7: Breakdown of VNB by region (in USD millions)

	2019			2020			2021		
	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB
Hong Kong									
Onshore	224	1,253	90	281	2,354	146	346	3,388	185
Offshore	207	1,050	81	91	350	21	127	505	20
Sub-total	431	2,303	170	372	2,704	167	474	3,893	205
Japan									
COLI	176	1,024	134	149	825	38	80	426	29
RI	NA	NA	NA	236	1,897	56	–	–	–
Individual	95	777	76	123	971	95	130	1,027	102
Sub-total	270	1,801	210	507	3,693	188	209	1,454	131
Thailand									
TMB	139	680	34	86	342	20	NA	NA	NA
SCB	57	263	11	434	2,122	127	362	1,813	170
Others	71	317	21	96	434	36	100	517	47
Sub-total	266	1,260	65	616	2,898	183	462	2,330	217
Emerging Markets									
Acquisitions & partnerships/ Discontinued business	23	53	3	49	254	19	112	467	41
Others	134	498	49	147	611	60	189	951	92
Sub-total	157	550	52	197	864	79	301	1,419	133
Total	1,125	5,915	498	1,692	10,160	617	1,446	9,095	686

Figures may not be additive due to rounding.

NA = Not applicable; NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium;

PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

Table 5.7a: NB APE and VNB growth rate by region

	NB APE					
	CER basis			AER basis		
	2019-2020 CAGR	2020-2021 CAGR	2019-2021 CAGR	2019-2020 CAGR	2020-2021 CAGR	2019-2021 CAGR
Hong Kong						
Onshore	25.5%	23.3%	24.4%	25.5%	23.3%	24.4%
Offshore	(56.2%)	40.4%	(21.6%)	(56.2%)	40.4%	(21.6%)
Sub-total	(13.7%)	27.4%	4.8%	(13.7%)	27.4%	4.8%
Japan						
COLI	(17.0%)	(45.0%)	(32.4%)	(15.5%)	(46.4%)	(32.7%)
RI	NA	NA	NA	NA	NA	NA
Individual	27.4%	8.3%	17.5%	30.2%	5.3%	17.1%
Sub-total	82.1%	(57.2%)	(11.7%)	87.7%	(58.7%)	(12.0%)
Thailand						
TMB	(37.6%)	NA	NA	(38.2%)	NA	NA
SCB	669.0%	(15.9%)	154.4%	661.8%	(16.6%)	152.1%
Others	36.7%	7.0%	21.0%	36.0%	3.9%	18.9%
Sub-total	133.2%	(24.0%)	33.1%	131.2%	(25.0%)	31.7%
Emerging Markets						
Acquisitions & partnerships/ Discontinued business	114.1%	124.5%	118.6%	111.2%	127.0%	119.0%
Others	8.0%	27.2%	17.3%	10.1%	28.4%	18.9%
Sub-total	23.3%	51.7%	36.8%	25.1%	53.1%	38.4%
Total	49.3%	(13.2%)	13.5%	50.4%	(14.5%)	13.4%

	VNB					
	CER basis			AER basis		
	2019-2020 CAGR	2020-2021 CAGR	2019-2021 CAGR	2019-2020 CAGR	2020-2021 CAGR	2019-2021 CAGR
Hong Kong						
Onshore	62.8%	26.1%	43.3%	62.8%	26.1%	43.3%
Offshore	(73.9%)	(4.6%)	(50.1%)	(73.9%)	(4.6%)	(50.1%)
Sub-total	(1.8%)	22.2%	9.6%	(1.8%)	22.2%	9.6%
Japan						
COLI	(72.6%)	(21.6%)	(53.6%)	(72.0%)	(23.9%)	(53.8%)
RI	NA	NA	NA	NA	NA	NA
Individual	21.6%	11.1%	16.2%	24.6%	7.8%	15.9%
Sub-total	(13.0%)	(27.9%)	(20.8%)	(10.4%)	(30.4%)	(21.0%)
Thailand						
TMB	(41.6%)	NA	NA	(42.1%)	NA	NA
SCB	1,112.5%	35.3%	305.0%	1,100.8%	34.0%	301.1%
Others	75.8%	34.6%	53.8%	75.1%	30.5%	51.1%
Sub-total	182.2%	20.5%	84.4%	179.8%	18.8%	82.3%
Emerging Markets						
Acquisitions & partnerships/ Discontinued business	512.9%	116.4%	264.1%	498.7%	118.9%	262.0%
Others	20.5%	52.2%	35.5%	23.4%	53.6%	37.6%
Sub-total	49.1%	67.6%	58.2%	52.2%	69.2%	60.5%
Total	22.4%	12.7%	17.5%	24.0%	11.1%	17.4%

Figures may not be additive due to rounding.

CER: Constant exchange rate (please refer to Section 3.5 for the definition of CER). AER: Actual exchange rate.

NA = Not applicable; NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium; CAGR = Compound Annual Growth Rate.

Table 5.8: VNB margin by region

	2019		2020		2021	
	VNB/NB APE	VNB/PVNBP	VNB/NB APE	VNB/PVNBP	VNB/NB APE	VNB/PVNBP
Hong Kong						
Onshore	40.2%	7.2%	52.1%	6.2%	53.3%	5.4%
Offshore	38.9%	7.7%	23.1%	6.0%	15.7%	4.0%
Sub-total	39.6%	7.4%	45.0%	6.2%	43.2%	5.3%
Japan						
COLI	76.2%	13.1%	25.3%	4.5%	35.9%	6.7%
RI	NA	NA	23.7%	2.9%	NA	NA
Individual	80.5%	9.8%	77.1%	9.8%	78.9%	10.0%
Sub-total	77.7%	11.7%	37.1%	5.1%	62.6%	9.0%
Thailand						
TMB	24.6%	5.0%	23.1%	5.8%	NA	NA
SCB	18.6%	4.0%	29.3%	6.0%	47.0%	9.4%
Others	29.1%	6.5%	37.4%	8.3%	47.0%	9.1%
Sub-total	24.5%	5.2%	29.7%	6.3%	47.0%	9.3%
Emerging Markets						
Acquisitions & partnerships/ Discontinued business	13.4%	6.0%	38.1%	7.4%	36.7%	8.8%
Others	36.3%	9.8%	40.7%	9.8%	48.6%	9.7%
Sub-total	32.9%	9.4%	40.0%	9.1%	44.2%	9.4%
Total	44.2%	8.4%	36.5%	6.1%	47.4%	7.5%

Figures may not be additive due to rounding.

NA = Not applicable; NB APE = New Business APE = 100% annualised first year premium plus 10% of single premium;

PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

FWD Group NB APE grew by 28.6% over the track record period from USD1,125 million in 2019 to USD1,446 million in 2021. The increase in NB APE was mainly driven by growth in existing channels and through acquisitions, offset by falls in NB APE volumes observed for Hong Kong Offshore, Japan COLI and Thailand TMB business. The VNB margin (expressed as a percentage of NB APE) for FWD Group increased over the same period from 44.2% for 2019 to 47.4% for 2021.

For FWD Hong Kong, political unrest combined with the COVID-19 pandemic resulted in a significant fall in offshore business in 2020, but sales have partially recovered in 2021. There has been a slight increase in VNB margins from 39.6% in 2019 to 43.2% in 2021. This growth in margins was mainly driven by a shift towards sales of higher margin participating products with a larger allocation to equities (public/private).

For FWD Japan, there was a one-off retrocession reinsurance arrangement ceded from Swiss Re to FWD Reinsurance for a block of in-force life and health business in 2020, leading to a one-off VNB of USD56 million. The overall reduction in NB APE and VNB from 2019 to 2021 was mainly attributable to the changes in tax regulations in 2019 which led to a fall in both volumes and equivalent VNB margins (as the old product was withdrawn and replaced with a lower margin offering) for COLI business.

For FWD Thailand, there was a significant increase in NB APE volumes in 2020 driven by sales through SCB and other distribution channels of SCB Life, followed by a fall in 2021 as a result of the loss in sales through TMB following the novation of the bank's distribution agreement and lockdowns imposed in 2021 as a result of the COVID-19 pandemic. Despite the fall in NB APE observed in 2021, the VNB increased in 2021, with the VNB margin rising sharply from 24.5% in 2019 to 47.0% in 2021. The increase in VNB margin across the period is largely driven by sales of higher margin products through SCB.

For the Emerging Markets, the growth in NB APE volumes and VNB across the track record period was driven by organic growth from existing Business Units and through new acquisitions made over the period.

5.3. Analysis of EV Movement

A breakdown of the EV movement (gross of financing) for the track record period at a consolidated group level is presented in Table 5.9. The equivalent analysis of EV movement, net of financing, is presented in Appendix D to this Report.

Table 5.9: Analysis of EV movement of FWD Group (gross of financing) (in USD millions)

	Year ending 31 Dec 2019			Year ending 31 Dec 2020			Year ending 31 Dec 2021		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Opening EV (1)	2,376	1,990	4,366	4,327	2,606	6,933	5,799	3,303	9,102
Acquisitions & partnerships/ Discontinued business (2)	(1,963)	338	(1,625)	(207)	106	(101)	(179)	22	(157)
Expected return on EV (3)	221	101	322	252	160	412	345	157	502
VNB (4)	–	498	498	–	617	617	–	686	686
Operating variance and operating assumption change (5) = (6)+(7)+(8)	(188)	(77)	(265)	(29)	(230)	(259)	(198)	(131)	(329)
Operating variance – claims/persistency/ expense (6)	(218)	(51)	(270)	(251)	(105)	(356)	(218)	(85)	(303)
Operating variance – Others (7)	7	(2)	6	66	(10)	56	(8)	2	(6)
Operating assumption change (8)	23	(24)	(1)	156	(115)	41	28	(48)	(21)
Total EV operating profit (9) = (3)+(4)+(5)	33	522	555	223	547	770	147	712	859
Economic variance and economic assumption change (10) = (11)+(12)	415	(324)	91	(976)	511	(466)	287	(474)	(187)
Economic variance (11)	417	(155)	262	(975)	571	(404)	246	(613)	(367)
Economic assumption change (12)	(2)	(170)	(171)	(1)	(61)	(62)	41	139	180
Other non-operating variance (13)	(281)	46	(234)	402	(458)	(56)	(154)	51	(103)
Total EV profit (14) = (9)+(10)+(13)	167	244	411	(351)	600	249	280	289	569
Capital movements[20] (15)	740	–	740	2,408	–	2,408	2,389	–	2,389
Corporate adjustments (16)	(64)	(33)	(97)	(91)	(71)	(163)	(119)	(3)	(122)
Financing (17)	2,996	–	2,996	(339)	–	(339)	(1,433)	–	(1,433)
Foreign exchange movement (18)	76	66	142	52	62	115	(237)	(250)	(487)
Closing EV (19) = (1)+(2)+(14)+(15)+(16) +(17)+(18)	4,327	2,606	6,933	5,799	3,303	9,102	6,499	3,362	9,861

Figures may not be additive due to rounding.

20 Capital raised through the issue of perpetual securities has been captured within this item as perpetual securities are treated as equity in the IFRS accounts. The capital raised through the issue of perpetual securities was USD600 million in 2019.

The EV (gross of financing) of FWD Group increased by USD2,567 million in 2019 (from USD4,366 million as at 31 December 2018 to USD6,933 million as at 31 December 2019), increased by USD2,169 million in 2020 (from USD6,933 million as at 31 December 2019 to USD9,102 million as at 31 December 2020) and increased by USD759 million in 2021 (from USD9,102 million as at 31 December 2020 to USD9,861 million as at 31 December 2021).

A key contributor to the increase in the EV across the track record period has been the capital raised during the period (item (15) in Table 5.9) (2019: USD740 million, 2020: USD2,408 million, 2021: USD2,389 million). This is offset by financing raised/(repaid) and financing costs relating to interest accrued (negative impact) in the period (item (17) in Table 5.9) (2019: USD2,996 million, 2020: USD(339) million, 2021 USD(1,433) million). The impact of financing was positive in 2019 as it reflects USD3,109 million of financing raised in the period. As the analysis of movement is gross of financing, any financing raised in the period is equivalent to a capital injection and leads to an increase in EV, while any financing repaid in the period reduces the EV.

Offsetting the positive impact from capital movements (including financing raised) are activities relating to acquisitions, partnerships and discontinued business (item (2) in Table 5.9) (2019: USD(1,625) million, 2020: USD(101) million, 2021: USD(157) million), where the purchase price to acquire new entities and new distribution channels exceeded the EV contributed by these new entities and channels. Corporate adjustments relating to unallocated Group Office expenses (item (16)) (2019: USD(97) million, 2020: USD(163) million, 2021: USD(122) million) also contributed negatively to EV.

The EV operating profit (item (9) in Table 5.9), comprising returns on EV, VNB, operating variance, and operating assumption changes, contributed positively to EV profit across the track record period (2019: USD555 million, 2020: USD770 million, 2021: USD859 million). Within these figures, the operating variance was negative across the track record period (2019: USD(264) million, 2020: USD(300) million, 2021: USD(309) million), largely driven by expense and commission variance (2019: USD(218) million, 2020: USD(240) million, 2021: USD(210) million), with the split of the expense and commission variance presented in Table 4.4 and Table 4.5. Excluding expense and commission variance, the remaining operating variance comes from mortality and morbidity (2019: USD10 million, 2020: USD42 million, 2021: USD42 million), persistency (2019: USD(62) million, 2020: USD(158) million, 2021: USD(135) million), and others (item (9) in Table 5.9) (2019: USD6 million, 2020: USD56 million, 2021: USD(6) million).

The EV profit (item (14) in Table 5.9), comprising the EV operating profit, economic variance and assumption changes, and other non-operating variance was positive across the track record period (2019: USD411 million, 2020: USD249 million, 2021: USD569 million). The other non-operating variance (item (13) in Table 5.9) (2019: USD(234) million, 2020: USD(56) million, 2021: USD(103) million) included the allocation of one-off and non-recurrent expenses to cover FWD Group project-related spending (e.g. integration costs), industrial recruitment packages (reflecting costs associated with recruiting and growing the agency distribution channel), and one-off adjustments such as the impact of methodology and regulatory changes on EV. A detailed breakdown is shown in Table 5.10.

Table 5.10: Breakdown of other non-operating variance (in USD millions)

	Year ending 31 Dec 2019	Year ending 31 Dec 2020	Year ending 31 Dec 2021
Non-operating expense variance (1) = (2) + (3) + (4) + (5)	(121)	(183)	(114)
Mergers and acquisitions, business set up and restructure related costs (2)	(73)	(117)	(80)
[**REDACTED**]-related costs including incentive costs (3)	(2)	(39)	(70)
Implementation costs for new accounting standards and other mandatory regulatory changes (4)	(17)	(26)	(27)
Other non-recurring items(See Note (1)) (5)	(29)	(1)	63
Industrial recruitment packages (6)	(73)	(24)	(30)
Others(See Note (2)) (7)	(41)	151	41
Total (8) = (1) + (6) + (7)	**(234)**	**(56)**	**(103)**

Figures may not be additive due to rounding.

Note (1): Refers to all other non-recurring items classified as expense variance and includes investment income generated from non-operating entities and the profits/(loss) arising from the sale of non-operating entities.

Note (2): Refers to all other non-operating variance including the impact of methodology and regulatory changes on EV.

EV Operating Profit

A breakdown of the EV operating profit, both before and after operating assumption changes and other operating variances, is presented in Table 5.11. The EV operating profit after operating assumption changes and other operating variances is derived from item 7, item 8 and item 9 of Table 5.9.

Table 5.11: Operating return on EV (in USD millions)

	Year ending 31 Dec 2019	Year ending 31 Dec 2020	Year ending 31 Dec 2021
EV operating profit after operating assumption changes and other operating variances (1)	555	770	859
Plus: Adjustment to reverse out operating assumption changes and other operating variances(See Note (1)) (2)	(5)	(97)	27
EV operating profit before operating assumption changes and other operating variances (3) = (1) + (2)	550	673	885

Figures may not be additive due to rounding.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

5.4. Free Surplus Generation

Free surplus represents the excess of the adjusted net worth over the required capital, gross of financing (please see Table 5.5). The underlying free surplus generation represents the free surplus generated from FWD Group each period, adjusted to exclude new business funding and certain non-recurring items. It excludes free surplus used to fund new business, investment return variances and other items, acquisitions, partnerships and discontinued business, capital movements and the impact of financing, but includes methodology updates relating to accounting changes classified under item (4) in Table 5.12. The net underlying free surplus generation represents the equivalent results allowing for the free surplus used to fund new business[21]. The analysis of movement of free surplus as presented in Table 5.12 is gross of financing, with financing costs (item (10) in Table 5.12) reflecting a positive impact from any financing raised in the period and a negative impact from any financing and interest repaid in the period.

FWD Group's free surplus increased by USD1,519 million in 2019 (from USD1,246 million as at 31 December 2018 to USD2,765 million as at 31 December 2019), USD1,290 million in 2020 (from USD2,765 million as at 31 December 2019 to USD4,055 million as at 31 December 2020) and USD417 million in 2021 (from USD4,055 million as at 31 December 2020 to USD4,471 million as at 31 December 2021). The change in free surplus is made up of the following key components:

- Capital movements (item (9) in Table 5.12) reflecting capital raised in the year (2019: USD740 million, 2020: USD2,408 million, 2021: USD2,389 million), offset by the impact relating to acquisitions, partnerships and discontinued business (item (2) in Table 5.12) (2019: USD(2,523) million, 2020: USD(335) million, 2021: USD(197) million).

- Impact of financing (item (10) in Table 5.12) reflecting the total of financing raised/(repaid) and financing costs relating to interest accrued (negative impact) in the year (2019: USD2,996 million, 2020: USD(339) million, 2021: USD(1,433) million).

- Positive underlying free surplus generated from operating entities (item (3) in Table 5.12) in the year (2019: USD597 million, 2020: USD654 million, 2021: USD456 million).

- Negative impact of free surplus used to fund new business (item (6) in Table 5.12) in the year (2019: USD(415) million, 2020: USD(406) million, 2021: USD(508) million).

- One-off impact on free surplus resulting from investment return variances and other items (item (8) in Table 5.12) in the year (2019: USD124 million, 2020: USD(693) million, 2021: USD(289) million).

[21] Free surplus used to fund new business refers to the change in free surplus arising from writing new business as initial outgoings at outset exceed the income received. Over the life of the contract, the future income is expected to repay this outlay, and the value attributed to this is captured within the VIF.

Table 5.12 provides a breakdown of the movement of free surplus, gross of financing, of FWD Group for the track record period. The equivalent movement of free surplus, net of financing, is presented in Appendix E to this Report.

Table 5.12: Analysis of movement of free surplus (gross of financing) (in USD millions)

	Year ending 31 Dec 2019			Year ending 31 Dec 2020			Year ending 31 Dec 2021		
	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total
Opening free surplus (1)	682	564	1,246	2,397	368	2,765	2,879	1,176	4,055
Acquisitions & partnerships/Discontinued business (2)	571	(3,094)	(2,523)	410	(745)	(335)	76	(273)	(197)
Underlying free surplus generation (3) = (4) + (5)	597	–	597	654	–	654	456	–	456
Opening adjustment (4)	342	–	342	292	–	292	75	–	75
Underlying free surplus generation before adjustment (5)	255	–	255	361	–	361	381	–	381
Free surplus used to fund new business (6)	(415)	–	(415)	(406)	–	(406)	(508)	–	(508)
Net underlying free surplus generation (7) = (3) + (6)	182	–	182	248	–	248	(52)	–	(52)
Investment return variances and other items (8)	281	(157)	124	(547)	(145)	(693)	(136)	(153)	(289)
Capital movements[22] (9)	682	58	740	370	2,037	2,408	77	2,312	2,389
Financing (10)	–	2,996	2,996	–	(339)	(339)	–	(1,433)	(1,433)
Closing free surplus (11) = (1) + (2) + (7) + (8) + (9) + (10)	2,397	368	2,765	2,879	1,176	4,055	2,843	1,629	4,471

Figures may not be additive due to rounding.

Op. Entity: Operating entity.

Corp. & others: Reflects corporate and other adjustments.

The net underlying free surplus generation includes variances relating to expenses, opening adjustments relating to methodology updates (item (4)) and the impact of non-economic assumption changes. The opening adjustments include revisions to the reserving methodology for Hong Kong, revisions to align the valuation of acquired new entities with FWD Group's EV methodology and other adjustments. The opening adjustments and impact of non-economic assumption changes have been classified as one-off variances. The negative variances on expenses mainly relate to operating expense and commission

22 Refer to footnote 20.

variance, where actual operating expenses and commission payments exceed the long term unit cost loadings[23], and changes to free surplus as a result of revisions to expense assumptions. A summary of these items and the adjusted net free surplus generation including adjustments for these one-off variances are presented in Table 5.13.

Table 5.13: Breakdown of expense variance and one-off items in the net underlying free surplus generation and adjusted net free surplus generation (in USD millions)

	Year ending 31 Dec 2019	Year ending 31 Dec 2020	Year ending 31 Dec 2021
Opening adjustments (1) = (2) + (3) + (4)	342	292	75
Changes to Hong Kong reserving methodology (2)	164	–	88
Alignment of basis for newly acquired entities (3)	173	225	–
Other opening adjustments (4)	5	67	(13)
Non-economic assumption changes (excluding expense revisions) (5)	46	118	(7)
Total One-off variance (6) = (1) + (5)	388	410	68
Expense variance (7)	(308)	(297)	(216)
Net underlying free surplus generation (8)	182	248	(52)
Adjusted net underlying free surplus generation (9) = (8) – (6) – (7)	103	135	95

Figures may not be additive due to rounding.

5.5. Sensitivity Analysis

Sensitivity tests have been performed on the 2021 EV, 2020 EV, 2021 VNB and 2020 VNB in respect of changes in key assumptions. For each of the following tests, only the specified parameter has been changed with all other assumptions remaining unchanged:

- 1.0% increase in risk discount rate
- 1.0% decrease in risk discount rate

23 Differs from the operating expense and commission variance shown in Table 4.4 as it includes planned maintenance expense overruns arising from in-force business. These planned maintenance expense overruns do not contribute to operating expense and commission variance in the EV as these overruns will be offset by the release in provision set aside in the VIF (please refer to Table 4.3).

- 0.5% per annum increase in net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, valuation interest rates, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit linked business and risk discount rate)

- 0.5% per annum decrease in net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, valuation interest rates, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit linked business and risk discount rate)

- 10% increase in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 110% of the rates under the base case)

- 10% decrease in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 90% of the rates under the base case)

- 10% increase in rates of mortality and morbidity and loss ratios (i.e. 110% of the rates and loss ratios under the base case)

- 10% decrease in rates of mortality and morbidity and loss ratios (i.e. 90% of the rates and loss ratios under the base case)

- 10% increase in acquisition and maintenance expenses (i.e. 110% of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments

- 10% decrease in acquisition and maintenance expenses (i.e. 90% of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments

- 5% appreciation in presentation currency

- 5% depreciation in presentation currency

- 10% increase in equity prices (i.e. 110% of equity prices as at the respective Valuation Dates)

- 10% reduction in equity prices (i.e. 90% of equity prices as at the respective Valuation Dates)

The sensitivity tests on increase/reduction in equity prices have been applied as at the respective Valuation Dates and are not applicable to VNB.

Additional sensitivity tests have been performed on the key Business Units, namely FWD HK, FWD Japan and FWD Thailand, as set out below. These Business Units made up 92.3% and 89.2% of the consolidated operating entity EV as at 31 December 2020 and 31 December 2021 respectively, and 87.2% and 80.6% of FWD Group VNB[24] for the year ending 31 December 2020 and 31 December 2021 respectively.

- 1% p.a. reduction in the net investment return for private equity assets from 9.75% p.a. to 8.75% p.a.

- Revision of the acquisition expense unit cost assumptions to eliminate the adjusted operating expense variance. The adjusted operating expense variance reflects reductions in cost expected from initiatives that have been put in place in 2020 and 2021 to reduce spending, with savings expected to come through over the next two years. As this revision only applies to acquisition expense unit costs, this sensitivity test is not relevant for EV.

- As most of FWD Japan's COLI business, namely SME Term, has been written recently, there is very little lapse experience for the later policy durations. As a result, these assumptions have been set based on FWD Japan's internal view from a relevant lapse experience analysis for "Increasing Term" and "Term" segments and reflect the Business Unit's understanding of the unique characteristics of its COLI portfolio. More specifically, FWD Japan has set its lapse rate assumptions allowing for a gradual increase in lapses from 3% in policy year 1 to 24% in policy year 5 (referred to as the "peak lapse year" as cash value payouts are at their highest at this duration), with lapses then gradually reducing from policy year 6 onwards to a lapse rate of 4% by policy year 13 (referred to as the "long term lapse rate"). Given the level of uncertainty around the Business Unit's lapse experience, in particular the term of the peak lapse period and long term lapse rate, both of which are lower than equivalent market benchmarks, two additional sensitivity tests have been presented, as set out in Table 5.14. These sensitivities are not applicable to VNB as product was not sold in 2021.

  – Extension of peak lapse term: the lapse rate assumptions have been set such that the peak lapse rate of 24% for policy year 5 is also used for policy years 6 and 7, before gradually reducing to the long term rate by policy year 15.

  – Revision of long term lapse rate: the long term lapse rate has been increased from 4% to 6%, consistent with the Business Unit's lapse experience of "Term" business.

[24] Excludes VNB arising from retrocession reinsurance business ceded to FWD Japan for a block of in-force life and health business which is considered one-off and has been excluded from VNB sensitivity results.

Table 5.14: Lapse sensitivity for SME Term (COLI)

Policy year	Base	Extension of peak lapse term	Revision of long term lapse rate
1	3%	3%	3%
2	9%	9%	9%
3	13%	13%	13%
4	15%	15%	15%
5	24%	24%	24%
6	21%	24%	21%
7	18%	24%	18%
8	15%	21%	15%
9	12%	18%	12%
10	9%	15%	9%
11	6%	12%	6%
12	5%	9%	6%
13	4%	6%	6%
14	4%	6%	6%
15+	4%	4%	6%

As FWD operates in multiple Asian markets, the Business Unit EV and VNB results for FWD Group have been converted from the respective local currency to FWD's US dollar presentation currency. To provide sensitivity results to foreign currency movements, a change of +/- 5% to the USD exchange rate has been shown.

The sensitivity tests have only been performed on the operating entity EV, with no sensitivities carried out on the EV contributed by corporate and other adjustments. Table 5.15 sets out the results of the consolidated operating entity EV sensitivities. The change in operating entity EV is also expressed as a percentage of base case EV for each sensitivity test for reference.

Table 5.15: Impact of sensitivities on consolidated operating entity EV of FWD Group (in USD millions)

	As at 31 Dec 2020			As at 31 Dec 2021		
	EV	Absolute change from base case EV	% change from base case EV	EV	Absolute change from base case EV	% change from base case EV
Base case	8,479			8,789		
Increase risk discount rate by 1.0%	7,820	(659)	(7.8%)	8,187	(602)	(6.9%)
Reduce risk discount rate by 1.0%	9,302	822	9.7%	9,534	746	8.5%
Increase net investment returns and risk discount rates by 0.5% p.a.[1]	8,729	250	2.9%	8,966	178	2.0%
Reduce net investment returns and risk discount rates by 0.5% p.a.[1]	8,145	(334)	(3.9%)	8,524	(265)	(3.0%)
Reduce net investment returns for private equity assets by 1% p.a.	8,308	(172)	(2.0%)	8,606	(183)	(2.1%)
Increase discontinuance and partial withdrawal rates by 10%	8,375	(104)	(1.2%)	8,621	(168)	(1.9%)
Reduce discontinuance and partial withdrawal rates by 10%	8,613	133	1.6%	8,993	204	2.3%
Extend peak lapse term for FWD Japan COLI SME Term business	8,214	(266)	(3.1%)	8,539	(250)	(2.8%)
Increase long term lapse rate to 6% for FWD Japan COLI SME Term business	8,381	(99)	(1.2%)	8,695	(94)	(1.1%)
Increase mortality and morbidity rates and loss ratios by 10%	7,999	(481)	(5.7%)	8,265	(523)	(6.0%)
Reduce mortality and morbidity rates and loss ratios by 10%	8,970	491	5.8%	9,323	534	6.1%
Increase acquisition and maintenance expenses by 10%	8,326	(154)	(1.8%)	8,642	(146)	(1.7%)
Reduce acquisition and maintenance expenses by 10%	8,633	154	1.8%	8,934	145	1.7%
Appreciation of presentation currency by 5%	8,177	(302)	(3.6%)	8,503	(285)	(3.2%)
Depreciation of presentation currency by 5%	8,785	305	3.6%	9,077	288	3.3%
Increase equity prices by 10%	8,644	165	1.9%	9,072	283	3.2%
Reduce equity prices by 10%	8,314	(166)	(2.0%)	8,502	(286)	(3.3%)

Note (1): For FWD HK, FWD Japan and FWD Vietnam, for debt securities and derivatives with investment returns determined on a book yield basis, sensitivities have not been applied to the market values and investment returns for these securities.

Table 5.16 sets out the results of the consolidated VNB sensitivities. VNB does not include any allowance for acquisition expense and commission overruns.

Table 5.16: Impact of sensitivities on FWD Group VNB (in USD millions)

	Year ending 31 Dec 2020*			Year ending 31 Dec 2021		
	VNB	Absolute change from base case	% change from base case	VNB	Absolute change from base case	% change from base case
Base case	561			686		
Increase risk discount rate by 1.0%	463	(98)	(17.5%)	562	(124)	(18.1%)
Reduce risk discount rate by 1.0%	685	124	22.0%	842	156	22.7%
Increase net investment returns and risk discount rates by 0.5% p.a.	670	108	19.3%	786	100	14.6%
Reduce net investment returns and risk discount rates by 0.5% p.a.	432	(129)	(23.0%)	573	(113)	(16.5%)
Reduce net investment returns for private equity assets by 1% p.a.	541	(21)	(3.7%)	667	(19)	(2.8%)
Increase discontinuance and partial withdrawal rates by 10%	525	(36)	(6.5%)	638	(48)	(7.1%)
Reduce discontinuance and partial withdrawal rates by 10%	603	42	7.4%	741	55	8.0%
Increase mortality and morbidity rates and loss ratios by 10%	470	(91)	(16.2%)	600	(86)	(12.5%)
Reduce mortality and morbidity rates and loss ratios by 10%	653	91	16.3%	771	85	12.5%
Increase acquisition and maintenance expenses by 10%	516	(46)	(8.2%)	636	(50)	(7.2%)
Reduce acquisition and maintenance expenses by 10%	607	46	8.2%	735	49	7.2%
Revise acquisition unit cost loadings to eliminate adjusted operating expense variance for FWD HK, FWD Japan and FWD Thailand	496	(65)	(11.6%)	631	(55)	(8.0%)
Appreciation of presentation currency by 5%	542	(19)	(3.5%)	663	(23)	(3.4%)
Depreciation of presentation currency by 5%	581	19	3.5%	709	23	3.4%

*Note *:* Differ from the results presented in Table 2.1 and Table 5.7 as it excludes VNB contributions from retrocession reinsurance business reported for FWD Japan. Sensitivity analyses have not been performed for this block of business.

6 MILLIMAN REVIEW

This section describes a summary of our review in respect of the methodology, assumptions and EV Results.

6.1. Review of Methodology

The EV Results have been prepared by FWD using TEV methodology in accordance with the EV Policy. We have reviewed whether the results have been determined, in all material respects, in accordance with the EV Policy. In forming this view, we have checked the consolidated aggregate results spreadsheet prepared by FWD Group and conducted sample model point checks on products making up over 90% of VIF (measured by in-force statutory reserves) and VNB (measured by NB APE) for each Business Unit.

It is noted that the methodology set out in the EV Policy is comparable in all material respects to the TEV methodology commonly adopted by listed insurers incorporated in Asia. However, given FWD Group's particular structure and the nature of its business, there are certain aspects of the methodology that are specific to FWD, as described below:

- The majority of FWD's Business Units, particularly those that are classified as part of Emerging Markets, are still in their growth phase and have not yet achieved economies of scale. The EV Results have therefore been determined using long term unit costs. This is a commonly used approach for growing companies that is predicated on the Business Units extinguishing their expense and commission overruns in the short to medium term. The adjustments and disclosures around expense overruns are as follows:

  – The EV Results include an allowance for projected maintenance expense overruns in respect of in-force business via deductions within the VIF.

  – The VNB and VNB margins have been presented before acquisition expense, commission and maintenance expense overruns, with the historical operating expense and commission variance shown separately in this Report, rather than showing VNB and VNB margins net of this variance. The present value of future acquisition expense and commission overruns as reflected in the approved business plans prepared by the Business Units, and the total operating expense and commission variance, are disclosed in Table 4.2 and Table 4.5/Table F.2 respectively. The non-operating expenses, reflecting one-off and non-recurrent costs and industrial recruitment package, are disclosed in Table 5.10.

6.2. Review of Assumptions

The assumptions used to determine the EV Results have been developed by FWD based on operating experience of the Business Unit (where statistically credible), reference to industry experience or pricing assumptions, anticipated future trends, asset strategies, the economic outlook and current regulatory frameworks.

We have reviewed the appropriateness of the non-economic assumptions adopted by each Business Unit, having regard to the underlying experience investigations performed by the Business Unit, expected future experience and materiality of the impact of assumptions on the overall results. For the less mature Business Units, due to operating experience typically not being statistically credible, pricing assumptions have in many cases been adopted for EV purposes.

We have reviewed the appropriateness of the economic assumptions, having regard to the current asset holdings, the investment policy of each Business Unit, industry benchmarks and economic conditions as at the Valuation Dates. We have also reviewed the study performed by FWD Group to validate the consistency of the allowance for risk in the discount rate with an alternative market consistent approach for key Business Units, namely FWD HK, FWD Japan, and FWD Thailand.

Overall, we note that the assumptions adopted by each Business Unit have been set to align with the EV Policy, which requires assumptions to be set with reference to the three-year rolling average experience as a starting point. However, we highlight that actual future experience may differ from that assumed in the projections. In particular, due to the lack of statistically credible experience, the pricing assumptions used may differ materially from the actual operating experience that emerges as the Business Units mature. The sensitivity of results to certain changes in assumptions is provided in Section 5.5.

Some specific key observations that could result in potentially material revisions to assumptions are as follows:

- Within the analysis of EV movement, the persistency variance is negative across the track record period. Persistency in 2020 and 2021 is expected to have been adversely affected by the COVID-19 pandemic, and it is unclear to what extent the negative variances are a temporary effect or a long lasting trend. While the practice has typically been for Business Units to update their persistency assumptions as experience emerges, the negative trends need to be monitored closely, with assumptions revised if they persist.

- FWD Japan's COLI SME Term lapse rate assumptions have been selected based on management's understanding of the unique characteristics of the company's COLI SME Term business. As this business has been written relatively recently, there is very little lapse experience from which to evaluate the appropriateness of the longer term lapse rate assumptions adopted. It is noted that the lapse rates assumed at later durations have generally been lower than equivalent market benchmarks. As a result, additional sensitivity tests have been performed to show the effect of changes to the peak lapse term and the long term lapse rate assumptions.

- The expense assumptions have been set on the basis that the Business Units are able to control spending and achieve economies of scale in the medium term with expense overruns eliminated as per internal business plans. The allowance for unallocated Group Office expenses, as reflected in the VIF, has also been projected to reduce as Business Units achieve scale and more expenses can be allocated to these Business Units. An increase in Business Unit expense levels, Group Office spending, increased lapses in the existing portfolio or reduced sales against business plan forecast could lead to an increase in unit cost loadings and an increase in the value of unallocated Group Office expenses, which could have a material impact on the overall EV and VNB presented in this Report. A sensitivity test has been performed to show the impact on VNB if the expense assumptions for the 2021 VNB valuation for the key Business Units (i.e. FWD HK, FWD Japan and FWD Thailand) are increased to eliminate the adjusted operating expense variance in 2021, as described in Section 5.5 of this Report.

- The investment returns for FWD HK have been set based on a significant proportion of the assets backing certain participating products in Hong Kong being invested in private equity. While the private equity assumption of 9.75% p.a. adopted as at 31 December 2021 is not out of line with market benchmarks, we note that continuing to hold a significant proportion of assets in private equity funds in the long term may have an impact when Hong Kong moves to a RBC framework (targeted to be introduced for legislative approval in 2022), as the capital requirements for holding such investments are likely to increase.

6.3. Review of Results

The EV Results have been prepared by FWD using its in-house Valuation Models. We have reviewed certain elements of the Valuation Models. In particular, we have carried out sample policy checks on the projected cash flows produced by the Valuation Models for products representing over 90% of the in-force business (measured by in-force statutory reserves) and VNB (measured by NB APE). The sample policy checks were performed to independently validate that the Valuation Models appropriately capture the features of these products and that the Valuation Models have been set up in accordance with the agreed methodology and assumptions.

We have also performed the following checks on the aggregate results:

- Static validation of the opening liabilities projected from Valuation Models to accounting data.

- Static validation of the new business model point file against NB APE presented in new business sales summaries.

- Validating the ANW to accounting data for each Business Unit including a reconciliation performed against the opening IFRS equity.

- Reconciliation of final VIF/VNB results by discounting the VIF/VNB cash flows at the risk discount rates assumed for each Business Unit.

- Validation of out-of-model adjustments.

- Review of EV and VNB sensitivity results in respect of changes to assumptions for each Business Unit.

- Static validation of the ANW to accounting data in respect of the Other Entities of FWD Group.

- Review of the adjustments for unallocated Group Office expenses.

Any material errors revealed by our checks were corrected in the Valuation Models. Our model review process has been to highlight to the Business Units (excluding the newly acquired entities) where the present value of cash flows for sample model points exceeded our 1% tolerance level and to discuss with the Business Units whether a change to the Valuation Models was required.

6.4. Opinion

Based on our review of the methodology and assumptions used by FWD to calculate the EV Results, Milliman concludes that:

- The methodology used to determine the EV Results is consistent in all material respects with the EV Policy.

- The methodology used in the EV Policy is in all material respects comparable to the TEV methodology commonly adopted by listed insurers incorporated in Asia. There are, however, certain features within the methodology that are specific to FWD given its size and corporate structure, as highlighted in Section 6.1 of this Report.

- The non-economic assumptions used to calculate the EV Results have been developed using the operating experience of the Business Units, with allowance for expected future trends where applicable, or have been set with reference to industry experience or pricing assumptions where the experience of the Business Units is not statistically credible. The analysis of EV movement performed by the Business Units, however, shows consecutive negative persistency variances and consecutive positive mortality variances across the track record period for FWD Group, although it is noted that the negative persistency variance has reduced in 2021 from the 2020 level. Continuation of adverse persistency experience could have a material impact on the EV Results as presented in this Report. In addition, the EV Results have been determined using long term expense assumptions set on the basis that Business Units will be able to eliminate expense overruns in the short to medium term in line with internal business plans. An increase in expenses or a reduction in sales compared to the assumptions used in the business plan forecasts could lead to an increase in expense assumptions and adversely affect the EV Results.

- The economic assumptions used to develop the EV Results have been determined having regard to the investment policy of each Business Unit, and current and expected future economic conditions, and are broadly consistent with economic assumptions adopted by insurers in Asia that report on a TEV basis. Checks have also been performed for key Business Units to validate the consistency of the allowance for risk in the risk discount rate with an alternative market consistent approach.

- The EV Results have been prepared in all material respects in accordance with the methodology and assumptions described in this Report. This has been validated through the sample model point checks performed for products making up over 90% of VIF (measured by in-force statutory reserves) and VNB (measured by NB APE) for each Business Unit.

This opinion is subject to the reliances and limitations set out below.

7 RELIANCES AND LIMITATIONS

7.1. Reliances

In carrying out our work and producing this Report we have relied on information supplied by FWD. Reliance was placed on, but not limited to, the accuracy of the information provided to us.

Except as specifically stated in this Report, we have performed no audits or independent verification of the information furnished to us. To the extent that there are any material errors in the information provided, the results of our analysis will be affected as well, possibly materially. The principal materials provided by FWD and relied upon by us are listed in Appendix B to this Report.

FWD Group has confirmed to us that the data and information it has provided to us is accurate and complete.

7.2. Limitations

This Report is intended to provide certain actuarial information and analyses that would assist a professional, technically competent in the area of actuarial appraisals, to develop an estimate of the components of economic value of FWD Group. This Report must be read in its entirety to be fully understood. We assume that recipients of this Report will seek explanation and/or amplification of any part of this Report which is not clear.

The actuarial valuation of FWD Group has been developed on a going concern basis and assumes a continuation of the current, economic, political and social environment in the markets in which FWD Group operates. It therefore inherently assumes that the environment will remain stable. The user of this Report should be aware that any political, economic or social instability in these markets would add a degree of uncertainty to the results presented. In particular, the EV Results have been based on long term unit cost loadings determined in accordance with FWD's business plan forecasts. There is substantial uncertainty regarding the impact of COVID-19 on the economic, legal, and regulatory environment, and the level and nature of business activity, which could impact business plan forecasts and the EV Results.

In determining the EV Results of FWD Group, assumptions have been made about future experience, including economic and investment experience, mortality, morbidity, persistency, expenses and taxes. Actual experience may differ from that assumed in the projections. To the extent actual experience is different from the assumptions underlying this Report, actual results will also differ from the projected results shown. The sensitivity of results to certain changes in assumptions is provided in Section 5.5 of this Report.

The expense assumptions have been chosen on the basis that each Business Unit would continue to operate on a going concern basis. They do not take into account any future changes to product strategy, sales volumes or other matters that may have a consequential impact on product specific expense loadings. They also do not take into account any strategic FWD Group spending or any matters that could lead to an increase in such spending beyond what has been planned and set aside in the VIF. The assumptions have also been set with reference to Board approved business plans prepared by Business Units. We have relied on the business plans provided to us and have not reviewed the assumptions underlying them.

We have not attempted to assess the suitability or quality of the assets held by FWD Group or its reinsurance strategy. We have also not assessed, or made allowance for, any claims against FWD Group other than those made by policyholders under the normal terms of life insurance business. In particular, no account has been taken of liabilities in respect of pension entitlements, stock option plans, service contracts, leases and breaches of regulations.

No investigation has been made into the accuracy of the unit pricing and unit allocation procedures adopted by each Business Unit.

The results have been prepared by FWD using the Company's Valuation Models. Although we have performed extensive checks on the Valuation Models and underlying results as described in Section 6.3 of this Report, our checks were not exhaustive, and hence may not have uncovered all potential issues.

The EV Results set out in this Report do not include any allowance for withholding or other taxes that may apply to the payment of shareholder dividends on remittances out of the Business Units. We are not tax advisors and have relied on FWD Group's internal assessment and the opinion of its independent tax advisors that the approach taken with respect to withholding tax is appropriate for EV reporting purposes.

Reserves, cost of capital and tax have been calculated using the prevailing regulatory and tax frameworks applicable at the respective Valuation Dates, and do not take into account any future changes in these frameworks. As such, they take no account of the impact of changes following the introduction of new capital standards such as the upcoming RBC framework in Hong Kong, where requirements have yet to be finalised at the date of preparing this Report. We note that FWD Group has carried out internal analyses, including a Group Internal Economic Capital Assessment in 3Q2021, to conclude that the implementation of the group-wide supervisory framework is not expected to result in an increase in capital requirements beyond what has been assumed in the EV Results set out in this Report. We have not reviewed these internal analyses. We have also relied on the opinion of the operating entities' Appointed Actuaries and auditors that the reserves and capital requirements held as at the respective Valuation Dates comply with the prevailing regulations.

The EV Results allow for adjustments to dividends, profit sharing and crediting rate assumptions taking into account the investment return assumptions and profit sharing rules defined in regulations and/or internal company governance. We have relied on the Business Units' application of these rules within the Valuation Models, and note that the impact on the results if the rules incorporated in the Valuation Models are not followed in actual practice can be material.

The EV Results presented in this Report assume the ability to continue to optimise capital through existing external and internal reinsurance arrangements. Any revisions to these arrangements, due to regulatory change or other factors, may have a material impact on the EV Results.

Yours faithfully,

for Milliman Limited

Michael Daly FIA Principal & Consulting Actuary	Wen Yee Lee FIAA Principal & Consulting Actuary

Appendix A: Abbreviations

AER:	Actual Exchange Rate
ANW:	Adjusted Net Worth
BRI Life:	PT Asuransi BRI Life
CAGR:	Compound Annual Growth Rate
CER:	Constant Exchange Rate
COLI:	Corporate-owned Life Insurance
EV:	Embedded Value
EV equity:	Equity attributable to shareholders and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders
EV Policy:	FWD Group EV Policy
FWD Cambodia:	FWD Life Insurance (Cambodia) Plc.
FWD Life Japan:	FWD Life Insurance Company, Limited
FWD Group:	FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited)
FWD HK:	Includes FWD Life (Bermuda) (except FWD Malaysia, FWD Vietnam and FWD VCLI), FWD Macau, FWD Life Assurance (Hong Kong) and FWD Life (Hong Kong)
FWD Indonesia:	PT FWD Insurance Indonesia
FWD Japan:	Includes FWD Life Japan and FWD Reinsurance
FWD Life Assurance (Hong Kong):	FWD Life Assurance Company (Hong Kong) Limited
FWD Life (Bermuda):	FWD Life Insurance Company (Bermuda) Limited
FWD Life (Hong Kong):	FWD Life (Hong Kong) Limited

FWD Life Indonesia:	PT FWD Life Indonesia
FWD Macau:	FWD Life Insurance Company (Macau) Limited
FWD Malaysia:	FWD Takaful Berhad
FWD Philippines:	FWD Life Insurance Corporation
FWD Reinsurance	FWD Reinsurance SPC, Ltd.
FWD Singapore:	FWD Singapore Pte. Ltd
FWD Thailand:	FWD Life Insurance Public Company Limited
FWD VCLI:	FWD Assurance VietNam Company Limited
FWD Vietnam:	FWD Vietnam Life Insurance Company Limited
FX Rate:	Foreign Exchange Rate
HKD:	HK Dollar
IDR:	Indonesian Rupiah
IFRS:	International Financial Reporting Standards
IFRS accounts:	Audited consolidated financial statements of FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) for the years ending 31 December 2019, 2020 and 2021
[**REDACTED**]:	Initial [**REDACTED**]
JPY:	Japanese Yen
MCEV:	Market Consistent Embedded Value
MOP:	Macanese Pataca
MYR:	Malaysia Ringgit
NA:	Not Applicable/Not Available
nm:	Not Material

NB APE:	New Business Annual Premium Equivalent
PHP:	Philippine Peso
pps:	Percentage Points
PVNBP:	Present Value of New Business Premium
RBC:	Risk-based Capital
RI:	One-off retrocession reinsurance business to FWD Reinsurance
SCB:	The Siam Commercial Bank Public Company Limited
SCB Life	SCB Life Assurance Public Company Limited
SGD:	Singapore Dollar
Swiss Re:	Swiss Reinsurance Company Ltd
TEV:	Traditional Embedded Value
THB:	Thai Baht
TMB:	Thai Military Bank
USD:	US Dollar
VIF:	Value of In-force Business after cost of capital
VNB:	Value of new business after cost of capital
VND:	Vietnamese Dong
YoY:	Year-on-year

Appendix B: Key information received

- Consolidated IFRS accounts of FWD Limited and FWD Group Limited as at the respective Valuation Dates;
- Consolidated IFRS accounts of FWD Group as at the respective Valuation Dates;
- Statutory financial statements and solvency reports by Business Unit as at the respective Valuation Dates;
- Breakdown of statutory reserves by Business Unit as at the respective Valuation Dates;
- New business summary by product for new business sold by Business Unit in the reporting period;
- Group Office expense adjustments as at the respective Valuation Dates;
- EV Policy;
- EV Results breakdown by Business Unit as at the respective Valuation Dates including sensitivity results, analysis of EV movement;
- Summary of quarterly VNB results, NB APE and PVNBP for new business written in the reporting period;
- Group consolidated results, including any off-model adjustments;
- Projections of new business volumes and future expense levels by Business Unit;
- FWD's in-house actuarial models by Business Unit as used to prepare the EV Results;
- Individual in-force policy database by Business Unit as at the respective Valuation Dates;
- Individual new business policy database by Business Unit for new business sold in the reporting period;
- Product descriptions for key in-force and new business products reviewed;
- Experience studies performed by Business Unit covering mortality, morbidity, persistency and expenses; and
- Other information and clarifications obtained through various email and telecommunication during the period of our assignment.

Appendix C: Exchange rates

Table C.1: Exchange rates to 1 USD

	FX rate used for EV		
	31 Dec 2019	31 Dec 2020	31 Dec 2021
Hong Kong Dollar (HKD)	7.79	7.75	7.80
Macanese Pataca (MOP)	8.02	7.99	8.03
Japanese Yen (JPY)	108.55	103.11	115.15
Thai Baht (THB)	29.74	29.95	33.26
Indonesian Rupiah (IDR)	13,882.50	14,054.00	14,263.00
Malaysia Ringgit (MYR)	4.09	4.02	4.17
Philippine Peso (PHP)	50.65	48.03	50.98
Singapore Dollar (SGD)	1.35	1.32	1.35
Vietnamese Dong (VND)	23,186.68	23,083.00	22,786.00

	FX rate used for movement items in EV AOM (2019 and 2020) and CER calculation Average year-to-date FX rate		
	2019	2020	2021
Hong Kong Dollar (HKD)	7.84	7.76	7.77
Macanese Pataca (MOP)	8.04	7.99	8.00
Japanese Yen (JPY)	109.01	106.75	109.80
Thai Baht (THB)	31.05	31.30	31.98
Indonesian Rupiah (IDR)	14,144.13	14,541.34	14,296.50
Malaysia Ringgit (MYR)	4.14	4.20	4.14
Philippine Peso (PHP)	51.79	49.61	49.27
Singapore Dollar (SGD)	1.36	1.38	1.34
Vietnamese Dong (VND)	23,227.31	23,238.29	22,938.51

	FX rate used for VNB and movement items in EV AOM							
	Quarterly average FX rate (2020 VNB)				Quarterly average FX rate (2021 VNB and movement items in EV AOM)			
	First quarter 2020	Second quarter 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	Fourth quarter 2021
Hong Kong Dollar (HKD)	7.77	7.75	7.75	7.75	7.76	7.77	7.78	7.79
Macanese Pataca (MOP)	8.01	7.98	7.98	7.98	7.99	8.00	8.01	8.02
Japanese Yen (JPY)	108.95	107.54	106.08	104.43	105.95	109.47	110.10	113.67
Thai Baht (THB)	31.28	31.97	31.33	30.60	30.27	31.35	32.93	33.37
Indonesian Rupiah (IDR)	14,204.71	14,926.76	14,684.73	14,349.15	14,154.77	14,391.83	14,379.93	14,259.47
Malaysia Ringgit (MYR)	4.18	4.32	4.20	4.11	4.07	4.13	4.20	4.19
Philippine Peso (PHP)	50.84	50.45	48.91	48.26	48.30	48.18	50.14	50.44
Singapore Dollar (SGD)	1.39	1.41	1.37	1.35	1.33	1.33	1.35	1.36
Vietnamese Dong (VND)	23,251.10	23,358.84	23,182.05	23,161.16	23,048.05	23,046.02	22,876.96	22,783.02

Appendix D: Analysis of EV movement (net of financing)

Table D.1: Analysis of EV movement of FWD Group (net of financing) (in USD millions)

	Year ending 31 Dec 2019			Year ending 31 Dec 2020			Year ending 31 Dec 2021		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Opening EV (1)	676	1,990	2,666	(1,143)	2,606	1,463	458	3,303	3,761
Acquisitions & partnerships/Discontinued business (2)	(1,963)	338	(1,625)	(207)	106	(101)	(179)	22	(157)
Expected return on EV (3)	221	101	322	252	160	412	345	157	502
VNB (4)	–	498	498	–	617	617	–	686	686
Operating variance and operating assumption change (5) = (6)+(7)+(8)	(188)	(77)	(265)	(29)	(230)	(259)	(198)	(131)	(329)
Operating variance – claims/persistency/ expense (6)	(218)	(51)	(270)	(251)	(105)	(356)	(218)	(85)	(303)
Operating variance – Others (7)	7	(2)	6	66	(10)	56	(8)	2	(6)
Operating assumption change (8)	23	(24)	(1)	156	(115)	41	28	(48)	(21)
Total EV operating profit (9) = (3)+(4)+(5)	33	522	555	223	547	770	147	712	859
Economic variance and economic assumption change (10) = (11)+(12)	370	(324)	46	(988)	511	(478)	253	(474)	(221)
Economic variance (11)	372	(155)	217	(987)	571	(416)	212	(613)	(401)
Economic assumption change (12)	(2)	(170)	(171)	(1)	(61)	(62)	41	139	180
Other non-operating variance (13)	(281)	46	(234)	403	(458)	(55)	(154)	51	(103)
Total EV profit (14) = (9)+(10)+(13)	122	244	366	(362)	600	238	246	289	535
Capital movements (15)	140	–	140	2,408	–	2,408	2,389	–	2,389
Corporate adjustments (16)	(64)	(33)	(97)	(91)	(71)	(163)	(119)	(3)	(122)
Financing (17)	(129)	–	(129)	(198)	–	(198)	(188)	–	(188)
Foreign exchange movement (18)	76	66	142	52	62	115	(237)	(250)	(487)
Closing EV (19) = (1)+(2)+(14) +(15)+(16)+(17)+(18)	(1,143)	2,606	1,463	458	3,303	3,761	2,369	3,362	5,731

Figures may not be additive due to rounding.

D.1 The differences between Table D.1 and Table 5.9 (analysis of EV movement gross of financing), are as follows:

- The opening and closing EV presented in Table D.1 has been updated to reflect the EV net of financing; and

- The capital movements[25] and financing cost (items (15) and (17) in Table D.1) have been adjusted to only reflect interest paid in the period on the financing held. Unlike the analysis of EV movement gross of financing, any financing raised/(repaid) will not have an impact on the EV as the carrying value of financing is treated as a liability and excluded in the ANW.

[25] Any capital raised through the issue of perpetual securities has been treated as equity in the IFRS accounts and captured as part of capital movement. The impact of this has been reversed out in the net of financing results.

Appendix E: Analysis of movement of free surplus (net of financing)

Table E.1: Analysis of movement of free surplus (net of financing) (in USD millions)

	Year ending 31 Dec 2019			Year ending 31 Dec 2020			Year ending 31 Dec 2021		
	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total
Opening free surplus (1)	682	(1,136)	(454)	2,397	(5,103)	(2,705)	2,879	(4,164)	(1,286)
Acquisitions & partnerships/Discontinued business (2)	571	(3,094)	(2,523)	410	(745)	(335)	76	(273)	(197)
Underlying free surplus generation (3) = (4) + (5)	597	–	597	654	–	654	456	–	456
Opening adjustment (4)	342	–	342	292	–	292	75	–	75
Underlying free surplus generation before adjustment (5)	255	–	255	361	–	361	381	–	381
Free surplus used to fund new business (6)	(415)	–	(415)	(406)	–	(406)	(508)	–	(508)
Net underlying free surplus generation (7) = (3) + (6)	182	–	182	248	–	248	(52)	–	(52)
Investment return variances and other items (8)	281	(202)	79	(547)	(156)	(704)	(136)	(187)	(323)
Capital movements (9)	682	(542)	140	370	2,037	2,408	77	2,312	2,389
Financing (10)	–	(129)	(129)	–	(198)	(198)	–	(188)	(188)
Closing free surplus (11) = (1) + (2) + (7) + (8) + (9) + (10)	2,397	(5,103)	(2,705)	2,879	(4,164)	(1,286)	2,843	(2,501)	342

Figures may not be additive due to rounding. Op. Entity: Operating entity, Group adj.: Reflects corporate and other net assets and adjustments for financing.

E.1 The differences between Table E.1 and Table 5.12 (analysis of movement of free surplus, gross of financing) are as follows:

- The opening and closing free surplus presented in Table E.1 has been updated to reflect the free surplus net of financing; and

- The capital movements[26] and financing cost (item (9) and item (10) in Table E.1) have been adjusted to only reflect interest paid in the period on the financing held. Unlike analysis of movement of free surplus (gross of financing), any financing raised/(repaid) will not have an impact on the free surplus as the carrying value of financing is treated as a liability and excluded in the free surplus calculation.

[26] Refer to footnote 25.

Appendix F: 2018 VNB Results

Table F.1: Breakdown of 2018 operating expense and commission variance by region (in USD millions)

Region	2018
Hong Kong	(40)
Japan	(24)
Thailand	2
Emerging Markets	(80)
Total	**(142)**

Figures may not be additive due to rounding.

Table F.2: Breakdown of 2018 operating expense and commission variance for operating entities (in USD millions)

	2018
Acquisition expense variance	(143)
Commission-related expense variance	5
Maintenance expense variance	(3)
Operating expense and commission variance	**(142)**

Figures may not be additive due to rounding.

Table F.3: Breakdown of 2018 VNB and VNB margin by region (in USD millions)

	2018 VNB			VNB margin	
	NB APE	**PVNBP**	**VNB**	**VNB/NB APE**	**VNB/PVNBP**
Hong Kong					
Onshore	195	1,140	71	36.6%	6.3%
Offshore	172	953	59	34.2%	6.2%
Sub-total	367	2,093	130	35.5%	6.2%
Japan					
COLI	320	1,884	363	113.4%	19.3%
RI	NA	NA	NA	NA	NA
Individual	47	361	45	96.3%	12.6%
Sub-total	367	2,245	408	111.2%	18.2%
Thailand					
TMB	150	536	56	37.3%	10.5%
SCB	NA	NA	NA	NA	NA
Others	57	174	15	27.1%	8.9%
Sub-total	207	710	72	34.5%	10.1%
Emerging Markets					
Acquisitions & partnerships/ Discontinued business	7	50	2	35.5%	4.9%
Others	107	404	36	33.4%	8.8%
Sub-total	114	453	38	33.5%	8.4%
Total	1,055	5,501	648	61.4%	11.8%

Figures may not be additive due to rounding.

Figures do not include allowance for expense and commission overruns.

NA = Not applicable; NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium;

PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

Milliman

Unit 3901-02 39 Floor AIA Tower
183 Electric Road
North Point, Hong Kong

Tel +852 2147 9678
Fax +852 2147 9879

milliman.com

30 May 2022

The Directors
FWD Group Holdings Limited
富衛集團有限公司
14 Taikoo Wan Road
Taikoo Shing
Hong Kong

ADDENDUM TO ACTUARIAL CONSULTANT'S REPORT – 31 MARCH 2022

Dear Directors,

1 INTRODUCTION

1.1. BACKGROUND

FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) ("FWD Group," "FWD," "Company," "you," or "your") has prepared, in respect of FWD Group and its subsidiaries, the embedded value ("EV") and the value of new business ("VNB") for each calendar year over the period from 1 January 2019 to 31 December 2021 (referred to as the "track record period"). The EV is calculated as at 31 December 2019 ("2019 EV"), 31 December 2020 ("2020 EV") and 31 December 2021 ("2021 EV") (collectively referred to as "Valuation Dates"), while the VNB covers 12 months of sales for calendar years 2019 ("2019 VNB"), 2020 ("2020 VNB") and 2021 ("2021 VNB") respectively. The Company has also prepared additional analyses, including sensitivity tests on EV and VNB, determination of EV equity, EV operating profit, free surplus generation and distributable earnings and an analysis of movement in the EV by calendar year over the track record period. These results are collectively referred to as the "EV Results" and have been prepared by the Company. As supplementary information, the Company also determined the VNB for calendar year 2018 ("2018 VNB").

Milliman Limited ("Milliman," "we," "us" or "our") has been engaged by FWD Group to independently review and provide an opinion on the EV Results. The consolidated results as prepared by FWD Group over the track record period, a description of the EV methodology and assumptions, details of our review and opinion, as well as the reliances and limitations applicable to our work are presented in our Report titled "Actuarial Consultant's Report" (referred to as the "ACR") dated 30 May 2022.

The Company has subsequently calculated results as at 31 March 2022, including the EV as at 31 March 2022 ("1Q2022 EV"), the VNB covering three months of sales up to 31 March 2022 ("3M2022 VNB"), the determination of end-period EV equity, EV operating profit, free surplus generation and distributable earnings, and an analysis of movement in the EV in the first three months of 2022 ("3M2022"). The results as at 31 March 2022 or for the three months ended 31 March 2022 are collectively referred to as the "1Q2022 EV Results". The 1Q2022 EV Results have been prepared based on audited International Financial Reporting Standards ("IFRS") accounts as at 31 March 2022. As a comparison, the equivalent EV and EV equity results have also been presented as at 31 December 2021 ("YE2021") while the equivalent VNB, free surplus generation and distributable earnings and analysis of movement have been presented for the first three months of 2021 ("3M2021").

In accordance with the engagement letter dated 7 April 2022, this addendum ("1Q2022 Addendum" or "Addendum") detailing the 1Q2022 EV Results and the scope of our review has been prepared for inclusion in this document (the "Document"), in connection with the initial [**REDACTED**] ("[**REDACTED**]") of FWD Group on the Hong Kong [**REDACTED**]. The 1Q2022 Addendum should be read in conjunction with the ACR and the rest of the Document, which provides details of FWD Group's business and related risk factors. The 1Q2022 Addendum and the ACR should be read together in their entirety, including the reliances and limitations, as individual sections, if considered in isolation, may be misleading.

Milliman is acting exclusively for FWD Group, and no one else, in connection with this [**REDACTED**]. This Addendum has been prepared for the purpose of inclusion in the Document. This Addendum should not be used for any other purpose without our prior written consent. Neither Milliman nor any employee of Milliman undertakes responsibility arising in any way whatsoever to any other party in respect of this Addendum contrary to the aforesaid purpose.

Except where otherwise stated, the figures quoted in this Addendum as at the Valuation Dates and 31 March 2022 do not make allowance for any developments after those dates. The various monetary amounts specified are expressed in US Dollars ("USD").

Where abbreviations have been used and are not defined in the Addendum, reference should be made to the ACR.

1.2. SCOPE OF OUR WORK

The scope of work as described in Section 1.3 of the ACR also applies to the review of results presented in this Addendum. The objective of our review was to confirm that the 1Q2022 EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions described in this Addendum and the ACR.

1.3. STRUCTURE OF THE ADDENDUM

The various sections of this Addendum are set out as follows:

- Section 2: Key highlights – provides an overview of the 1Q2022 EV Results
- Section 3: Methodology – provides details of the methodology adopted in the derivation of the 1Q2022 EV Results
- Section 4: Assumptions – describes the assumptions used to calculate the 1Q2022 EV Results
- Section 5: 1Q2022 EV Results – sets out the 1Q2022 EV Results
- Section 6: Milliman opinion – provides a formal opinion in respect of the 1Q2022 EV Results
- Section 7: Reliances and limitations – sets out the reliances and limitations applicable to our work and to this Addendum
- Appendix A: Abbreviations used in this Addendum
- Appendix B: Key information received
- Appendix C: Exchange rates used in deriving the results
- Appendix D: Analysis of 3M2022 EV movement, net of financing
- Appendix E: Analysis of 3M2022 movement of free surplus, net of financing
- Appendix F: Summary of EV and EV equity results as at 31 March 2021

2 KEY HIGHLIGHTS

An overview of the 1Q2022 EV Results is presented in this section, together with comparisons against relevant figures for 2021. While reading this section alone can provide a high-level summary, it does not give the full details, and this Addendum must be read together with the ACR in their entirety in order to be fully understood. Further details of the methodology, assumptions and 1Q2022 EV Results are set out in Sections 3, 4 and 5 and Appendices D and E to this Addendum. Reference should also be made to Section 2 of the ACR, which includes a description of the results presented.

Table 2.1: Summary of 1Q2022 Group EV (in USD millions)

Embedded value	As at 31 Dec 2021	As at 31 Mar 2022	Change during 3M2022 (as % of base results as at 31 Dec 2021): CER basis	Change during 3M2022 (as % of base results as at 31 Dec 2021): AER basis
Gross of financing				
Group EV	9,861	9,536	(2.1%)	(3.3%)
- ANW	6,499	5,848	(9.3%)	(10.0%)
- VIF	3,362	3,688	12.0%	9.7%
Net of financing				
Group EV	5,731	5,683	1.3%	(0.8%)
- ANW	2,369	1,995	(14.0%)	(15.8%)
- VIF	3,362	3,688	12.0%	9.7%

EV equity	As at 31 Dec 2021	As at 31 Mar 2022	Change during 3M2022 (as % of base results as at 31 Dec 2021): CER basis	Change during 3M2022 (as % of base results as at 31 Dec 2021): AER basis
Group EV (gross of financing)	9,861	9,536	(2.1%)	(3.3%)
Plus: Goodwill and other intangible assets	3,334	3,353	0.7%	0.6%
EV equity (gross of financing)	13,195	12,889	(1.4%)	(2.3%)
EV equity (net of financing)	9,065	9,036	1.1%	(0.3%)

New business value	**Three months ended 31 Mar 2021**	**Three months ended 31 Mar 2022**	**YoY change: CER basis**	**YoY change: AER basis**
VNB	172	191	17.5%	11.0%
NB APE	404	405	5.5%	0.3%
PVNBP	2,487	2,476	4.2%	(0.4%)
VNB margin (VNB/NB APE)	42.6%	47.1%	4.8 pps	4.5 pps
VNB margin (VNB/PVNBP)	6.9%	7.7%	0.9 pps	0.8 pps

EV operating profits	**Three months ended 31 Mar 2021**	**Three months ended 31 Mar 2022**	**YoY change: CER basis**	**YoY change: AER basis**
Before operating assumption changes and other operating variances(1)	239	285	27.1%	19.5%
After operating assumption changes and other operating variances(1)	234	278	26.2%	18.8%

Free surplus generation	**Three months ended 31 Mar 2021**	**Three months ended 31 Mar 2022**	**YoY change: CER basis**	**YoY change: AER basis**
Underlying free surplus generation	88	200	138.3%	126.8%
Net underlying free surplus generation	(67)	86	n/m	n/m
Adjusted net underlying free surplus generation	(6)	119	n/m	n/m

Figures may not be additive due to rounding.

CER = Constant exchange rate (please refer to Section 3.5 of ACR for the definition of CER). AER = Actual exchange rate. YoY = Year-on-year. pps = Percentage points.

ANW = Adjusted net worth; VIF = Value of in-force business; NB APE = New business annualised premium equivalent = 100% of annualised first year premium plus 10% of single premium; PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

n/m = Not meaningful. The YoY change in percentage terms is not meaningful when comparing a positive figure to a prior negative figure.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

3 METHODOLOGY

The 1Q2022 EV Results have been prepared using a consistent methodology to that described in Section 3 of the ACR, with exchange rates used set out in Appendix C to this Addendum. The level of required capital used to determine the 1Q2022 EV Results is aligned with the assumptions adopted for the 2021 EV Results and is summarised in Table 3.1.

Table 3.1: Required capital by Business Unit

Business Units	Required Capital
FWD HK	150% of required minimum solvency margin
FWD Japan	600% of regulatory risk-based capital requirement for FWD Life Japan
	400% of regulatory risk-based capital requirement for FWD Reinsurance
FWD Thailand	120% and 140% of regulatory risk-based capital requirement for 2021 and 2022 onwards respectively (RBC 2)
FWD Indonesia and BRI Life	120% of regulatory risk-based capital requirement
FWD Malaysia	195% of regulatory risk-based capital requirement
FWD Philippines	125% of regulatory risk-based capital requirement
FWD Singapore	135% of regulatory risk-based capital requirement (RBC 2)
FWD Vietnam	100% of required minimum solvency margin
FWD Cambodia	100% of required minimum solvency margin

Consistent with the EV Results presented in the ACR, the 1Q2022 EV Results exclude the value attributable to any non-controlling interest, which means they are based on a 49.0%[1] holding for FWD Malaysia, a 99.96% holding in FWD Thailand, a 35.14%[2] holding in BRI Life and a 100% holding in all other Business Units.

For BRI Life, the 1Q2022 EV has been calculated as at 28 February 2022 and the 3M2022 VNB is in respect of new business written in the three months ended 28 February 2022. The 3M2022 VNB results for BRI Life have been reported under "Emerging Markets".

For FWD Cambodia, the 1Q2022 EV Results include an allowance for value of in-force business ("VIF") and VNB. The 3M2022 VNB results for FWD Cambodia have been reported under "Thailand".

FWD Limited disposed of FWD Assurance VietNam Company Limited (formerly Vietcombank-Cardif Life Insurance) ("FWD VCLI") on 21 March 2022. The value in respect of FWD VCLI has been included within the FWD Vietnam results as at 31 December 2021 and 31 March 2021, but excluded from the FWD Vietnam results as at 31 March 2022 due to the disposal of this entity.

4 ASSUMPTIONS

The approach used to determine economic and non-economic assumptions as used to calculate the 1Q2022 EV Results is consistent with the approach as described in Section 4 of the ACR. As operating experience analyses are conducted annually towards the year-end, the non-economic assumptions selected for the 1Q2022 EV Results production are consistent with the 2021 year-end assumptions. The economic assumptions have been updated to reflect the long term returns as prescribed by FWD Group and the current market yields observed as at 31 March 2022.

1 The non-controlling interest percentage of 49.0% for FWD Malaysia represents FWD's share in the ordinary share capital of MYR 100 million issued. As at 31 March 2022, FWD Malaysia has issued a total of MYR 412.5 million of preference share capital to FWD. Taking into account the total share capital held by FWD (ordinary plus preference share), the 1Q2022 EV and YE2021 EVs assume a 100% economic interest in FWD Malaysia, aligned with the treatment adopted for the IFRS accounts. Similarly, the 3M2022 VNB for FWD Malaysia is also based on a 100% economic interest. This is a methodology change implemented from 3Q2021. The 3M2021 VNB presented in this Addendum assume a 49.0% share in VNB. This change in approach leads to an increase in 3M2022 VNB of USD 2 million (or 0.9% of FWD Group 3M2022 VNB) compared with the approach used to determine the 3M2021 VNB. It should be noted that the EV and VNB percentage for future valuations will reduce from the 100% level assumed when the preference share capital issued to FWD is redeemed, consistent with the treatment adopted for IFRS reporting.

2 On 2 March 2022, FWD acquired an additional 5.28% stake in BRI Life, increasing its holding to 35.14%. The 1Q2022 EV represents a 35.14% economic interest following the increase in this stake. The 3M2022 VNB is in respect of new business written in the three months ended 28 February 2022 and represents a 29.86% economic interest. BRI Life was acquired in March 2021 and hence was not included in the 1Q2021 EV Results set out in Appendix F to this Addendum.

The ACR includes the following tables:

- Table 4.1: Economic assumptions
- Table 4.2: Breakdown of present value of acquisition expense and commission overruns (after tax) as per approved business plans by region
- Table 4.3: Breakdown of present value of maintenance expense overruns (after tax) allowed for within VIF by region
- Table 4.4: Breakdown of operating expense and commission variance by region
- Table 4.5: Breakdown of operating expense and commission variance for operating entities
- Table 4.6: Present value of unallocated Group Office expenses allowed for within VIF
- Table 4.7: Expense inflation rate (% p.a.)
- Table 4.8: Corporate tax rates (%)

These tables have been updated to reflect the assumptions adopted for the 1Q2022 valuation. As described in the ACR, the expense assumptions adopted by Business Units have been based on long term unit cost loadings, and using these assumptions results in expense and commission overruns in the short term. The breakdowns of expense and commission variance observed for the three months ended 31 March 2022 have been prepared in the same format as the ACR, and are presented in Tables 4.3 to 4.5 below. Table 4.2 in the ACR shows a breakdown of the present value of acquisition expense and commission overruns derived from the approved business plans. As business plans are only updated annually in the second half of the year, there is no update to this forecast for the 1Q2022 valuation. Similarly for Table 4.6, there have been no revisions to the allowance for unallocated Group Office expenses within the VIF for the 1Q2022 valuation, as the figures are determined from the approved business plans. Table 4.3 reflects the breakdown by region of the present value of maintenance expense overruns allowed for within the VIF. While the assumptions have remained unchanged because business plans are only updated annually in the second half of the year, allowance has been made for the release of provisions for maintenance expense overruns in the VIF covering the three-month period, and for maintenance expense allowances contributed by new business written in the three-month period.

As a comparison, the tables presented in this Section also include reference to either the assumptions adopted at the last reporting date (i.e. assumptions as at 31 December 2021) or historical experience over the same reporting period in the last calendar year (i.e. three months ended 31 March 2021).

Table 4.1: Economic assumptions

	Risk discount rates			Current market 10-year Government Bond Yields		
Business Units	**As at 31 Mar 2021**	**As at 31 Dec 2021**	**As at 31 Mar 2022**	**As at 31 Mar 2021**	**As at 31 Dec 2021**	**As at 31 Mar 2022**
FWD HK	7.20%	7.20%	7.20%	1.74% (USD); 1.41% (HKD)	1.52% (USD); 1.51% (HKD)	2.32% (USD); 2.06% (HKD)
FWD Japan	6.00%	6.00%	6.00%	0.10%	0.07%	0.21%
FWD Thailand	8.30%	8.30%	8.30%	1.95%	1.90%	2.35%
FWD Indonesia and BRI Life	14.00%	14.00%	14.00%	6.81%	6.37%	6.75%
FWD Malaysia	9.00%	9.00%	9.00%	3.28%	3.59%	3.88%
FWD Philippines	12.00%	12.50%	12.50%	4.45%	4.72%	6.09%
FWD Singapore	7.00%	7.00%	7.00%	1.74%	1.67%	2.34%
FWD Vietnam	11.50%	10.75%	10.75%	2.39%	2.10%	2.48%
FWD Cambodia	NA	11.50%	11.50%	NA	NA[1]	NA[1]
Group Office expense adjustments	7.20%	7.20%	7.20%	NA	NA	NA

	Long Term 10-Year Government Bond Yields			Local Equity Returns		
Business Units	**As at 31 Mar 2021**	**As at 31 Dec 2021**	**As at 31 Mar 2022**	**As at 31 Mar 2021**	**As at 31 Dec 2021**	**As at 31 Mar 2022**
FWD HK	2.40% (USD); 1.90% (HKD)	2.40% (USD); 1.90% (HKD)	2.40% (USD); 1.90% (HKD)	7.40%	7.40%	7.40%
FWD Japan	0.25%	0.25%	0.25%	NA	NA	NA
FWD Thailand	2.75%	2.75%	2.75%	8.50%	8.50%	8.50%
FWD Indonesia and BRI Life	7.50%	7.50%	7.50%	11.70%	11.50%	11.50%
FWD Malaysia	4.00%	4.00%	4.00%	8.10%	8.79%	8.79%
FWD Philippines	4.75%	5.25%	5.25%	10.60%	8.80%	8.80%
FWD Singapore	2.25%	2.25%	2.25%	NA	NA	NA
FWD Vietnam	4.50%	4.00%	4.00%	10.20%	9.70%	9.70%
FWD Cambodia	NA	NA(1)	NA(1)	NA	NA(1)	NA(1)
Group Office expense adjustments	NA	NA	NA	NA	NA	NA

NA: Not applicable as Business Unit was acquired after the Valuation Date, or if the assumption is not used in the valuation.

Note (1): NA as the investment return assumption for FWD Cambodia has been set with reference to fixed deposit rates.

The private equity investment return assumption has been set by FWD Group based on a 7.35% p.a. risk premium margin above the long term USD10-year government bond yield. This equates to a long term return assumption for this asset class of 9.75% p.a. for the 31 March 2022 valuation.

Table 4.2: Breakdown by region of present value of acquisition expense and commission overruns (after tax) as per approved business plans (in USD millions)

Region	As at 31 Dec 2021(1)
Hong Kong	(26)
Japan	(6)
Thailand	(16)
Emerging Markets	(121)
Total	(170)

Figures may not be additive due to rounding.

Note (1): The results as at 31 March 2022 are not applicable as FWD Group's business plans are updated annually.

Table 4.3: Breakdown by region of present value of maintenance expense overruns (after tax) allowed for within VIF (in USD millions)

	Present value of maintenance expense overruns allowed for within the VIF (after tax)	
Region	**As at 31 Dec 2021**	**As at 31 Mar 2022**
Hong Kong	(15)	(14)
Japan	(5)	(4)
Thailand	(22)	(21)
Emerging Markets	(32)	(28)
Total	(73)	(67)

Figures may not be additive due to rounding.

Table 4.4: Breakdown by region of operating expense and commission variance (in USD millions)

Region	Three months ended 31 Mar 2021	Three months ended 31 Mar 2022
Hong Kong	(9)	(10)
Japan	(8)	(1)
Thailand	(10)	(1)
Emerging Markets	(26)	(25)
Total	(53)	(37)

Figures may not be additive due to rounding.

Table 4.5: Breakdown by operating entity of operating expense and commission variance (in USD millions)

	Three months ended 31 Mar 2021	Three months ended 31 Mar 2022
Acquisition expense and commission-related expense variance	(48)	(28)
Maintenance expense variance	(5)	(9)
Operating expense and commission variance	(53)	(37)
% reduction in operating expense and commission variance (YoY change: AER basis)		30.6%

Figures may not be additive due to rounding.

Table 4.6: Present value of unallocated Group Office expenses allowed for within VIF (in USD millions)

	As at 31 Dec 2021	As at 31 Mar 2022
Unallocated Group Office expenses	(557)	(557)[(1)]

Figures may not be additive due to rounding.

Note (1): FWD Group only updates business plans annually and assumes no changes to the VIF adjustment for interim valuations.

Table 4.7: Expense inflation rate (% p.a.)

Business Units	As at 31 Dec 2021	As at 31 Mar 2022
FWD HK	2.3%	2.3%
FWD Japan	0.0%	0.0%
FWD Thailand	2.0%	2.0%
FWD Indonesia and BRI Life	3.5%	3.5%
FWD Malaysia	3.0%	3.0%
FWD Philippines	3.0%	3.0%
FWD Singapore	3.0%	3.0%
FWD Vietnam	5.0%	5.0%
FWD Cambodia	5.0%	5.0%

Table 4.8: Corporate tax rates (%)

Business Units	As at 31 Dec 2021	As at 31 Mar 2022
FWD HK	16.5%	16.5%
FWD Japan	28.0%	28.0%
FWD Thailand	20.0%	20.0%
FWD Indonesia and BRI Life	22.0%	22.0%
FWD Malaysia	24.0%	24.0%
FWD Philippines[3]	1.0% from 1 July 2020 to 30 June 2023, 2.0% thereafter (See note (1))	1.0% from 1 July 2020 to 30 June 2023, 2.0% thereafter (See note (1))
FWD Singapore	17.0%	17.0%
FWD Vietnam	0% until 31 Dec 2026, 20.0% thereafter (See note (2))	0% until 31 Dec 2026, 20.0% thereafter (See note (2))
FWD Cambodia	20.0%	20.0%

NA: Not applicable as business was acquired post Valuation Date.

Note (1): Reflects updates to the Corporate Recovery and Tax Incentive for Enterprises Act executed in March 2021, whereby the Minimum Corporate Income Tax was reduced retrospectively to 1% effective from 1 July 2020 up to 30 June 2023.

Note (2): 0% until 2026 due to tax losses; 20.0% from 2027 onwards.

[3] For the Philippines, corporate tax in any year is based on the greater of: (i) corporate income tax, where taxable income excludes investment income that is already subject to investment income tax; and (ii) minimum corporate income tax. The projected statutory profits for FWD Philippines have been based on minimum corporate income tax, aligned with the Business Unit's current tax position. The corporate tax rate set out in Table 4.8 reflects the tax rate applicable for the calculation of minimum corporate income tax.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the last reporting date (i.e. 31 March 2022) are set out in Note 38 to the IFRS accounts.

5 1Q2022 EV RESULTS

5.1. EMBEDDED VALUE

A summary of the Group EV as at 31 March 2022, together with comparable figures as at 31 December 2021, is set out in Table 5.1. The levels of required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected, and are listed in Table 3.1.

Table 5.1: Breakdown of Group EV (in USD millions)

	As at 31 Dec 2021			As at 31 Mar 2022		
	ANW	VIF	EV	ANW	VIF	EV
Operating entity EV	4,870	3,918	8,789	4,529	4,244	8,773
Plus: Corporate & Other net assets	1,629	–	1,629	1,320	–	1,320
Less: Unallocated Group Office expenses	–	(557)	(557)	–	(557)	(557)
Group EV (gross of financing)	6,499	3,362	9,861	5,848	3,688	9,536
Less: Financing	(4,130)	–	(4,130)	(3,853)	–	(3,853)
Group EV (net of financing)	2,369	3,362	5,731	1,995	3,688	5,683

Figures may not be additive due to rounding.

The Group EV, gross and net of financing, changed by USD (324) million and USD (48) million respectively in the first three months of 2022. The reduction in Group EV is largely from negative economic variances, foreign exchange movements reflecting strengthening of the USD against the Japanese Yen, and capital movements. The offset in respect of debt repayment only affects the Group EV gross of financing, as debt has already been deducted in the Group EV net of financing.

A summary of the financing, split into borrowings and perpetual securities, is presented in Table 5.2. Perpetual securities have been further subdivided between external (i.e. securities sold to external parties) and intercompany securities. External perpetual securities have been treated as equity in the IFRS accounts, with the carrying value of these securities deducted in the EV net of financing (please see Table 5.4).

Further details of the movement in EV are presented in Section 5.3 of this Addendum, as well as in Appendix D.

Table 5.2: Breakdown of FWD Group financing (in USD millions)

	As at 31 Dec 2021	As at 31 Mar 2022
Borrowings (1)	(2,212)	(2,213)
Intercompany perpetual securities (2)	(311)	(301)
External perpetual securities (3)	(1,607)	(1,339)
Total financing (4) = (1) + (2) + (3)	(4,130)	(3,853)

Figures may not be additive due to rounding.

EV EQUITY

Table 5.3 shows the results on an EV equity basis as at 31 March 2022, with comparable figures presented as at 31 December 2021. The goodwill represents the excess of the cost of acquisition as recognised in the IFRS accounts (net of impairments), while other intangible assets reflect the bancassurance access fees (net of deferred payments) paid by FWD Thailand, FWD Indonesia, FWD Philippines, FWD Vietnam and BRI Life in respect of distribution through The Siam Commercial Bank Public Company Limited ("SCB"), PT Bank Commonwealth, Security Bank, An Binh Commercial Joint Stock and Nam A Commercial Joint Stock Bank, and PT Bank Rakyat Indonesia (Persero) Tbk respectively.

Consistent with the presentation of Group EV, Table 5.3 also includes the EV equity results before adjustment for financing.

Table 5.3: Breakdown of EV equity (in USD millions)

	As at 31 Dec 2021	As at 31 Mar 2022
Group EV (gross of financing)	9,861	9,536
Plus: Goodwill and other intangible assets	3,334	3,353
EV equity (gross of financing)	13,195	12,889
Less: Financing		
- Borrowings	(2,212)	(2,213)
- Perpetual securities	(1,917)	(1,640)
EV equity (net of financing)	9,065	9,036

Figures may not be additive due to rounding.

RECONCILIATION OF ANW FROM IFRS EQUITY

The ANW has been derived from the IFRS equity presented in the audited IFRS accounts as at 31 March 2022, and incorporates various adjustments including:

- Elimination of IFRS deferred acquisition and origination cost assets
- Difference between IFRS and local statutory asset and liability items
- Mark-to-market adjustments for property and mortgage loan investments, net of amounts attributable to participating funds
- Elimination of intangible assets including goodwill, bancassurance access fees, computer software and other intangible assets
- Recognition of deferred tax impacts of the above adjustments
- Recognition of non-controlling interest impacts of the above adjustments in respect of FWD Thailand and FWD Malaysia
- Negative adjustment reflecting the carrying value of external perpetual securities, as these securities are treated as equity in the IFRS accounts

Reconciliation of the IFRS equity attributable to shareholders and ANW for FWD Group as at 31 March 2022, with comparable figures as at 31 December 2021, is presented in Table 5.4.

Table 5.4: Reconciliation of FWD Group IFRS equity and ANW (USD millions)

	As at 31 Dec 2021	As at 31 Mar 2022
IFRS equity attributable to shareholders (1)[4]	8,946	6,896
Elimination of IFRS deferred acquisition and origination costs assets (2)	(4,771)	(4,753)
Difference between IFRS and local statutory asset and liability items (3)	3,070	4,494
Difference between net IFRS and local statutory asset and liability items (4) = (2) + (3)	(1,701)	(259)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds (5)	93	282
Elimination of intangible assets (6)[5]	(3,549)	(3,555)
Recognition of deferred tax impacts of the above adjustments (7)	187	(29)
Recognition of non-controlling interest impacts of the above adjustments (8)	(1)	(1)
Elimination of external perpetual securities (9)	(1,607)	(1,339)
ANW (net of financing) (10) = (1) + (4) + (5) + (6) + (7) + (8) + (9)	2,369	1,995

Figures may not be additive due to rounding.

4 The IFRS equity after PCGI adjustment as at 31 December 2021 and 31 March 2022 disclosed in Note 6.3 of the IFRS accounts was USD8,947 million and USD6,897 million respectively. The difference is due to equity attributable to non-controlling interests, which has been deducted in the figures presented in Table 5.4.

5 The value of intangible assets as at 31 December 2021 and 31 March 2022 disclosed in Note 12 of the IFRS accounts was USD3,348 million and USD3,332 million respectively. The difference relates to intangible assets attributed to BRI Life and FWD VCLI, which has been included under "Investment in associates and a joint venture" in the IFRS accounts.

BREAKDOWN OF ANW

A breakdown of the ANW between required capital and free surplus as at 31 March 2022, with comparable figures as at 31 December 2021, is set out in Table 5.5. The required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected, and are summarised in Table 3.1. For corporate and other adjustments, the free surplus covers corporate and other net assets, while financing has been reflected as a separate item.

Table 5.5: Breakdown of ANW of FWD Group (in USD millions)

	As at 31 Dec 2021			As at 31 Mar 2022		
	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total
Free surplus	2,843	1,629	4,471	2,395	1,320	3,715
Required capital	2,028	–	2,028	2,133	–	2,133
Less: Financing	–	(4,130)	(4,130)	–	(3,853)	(3,853)
ANW (net of financing)	4,870	(2,501)	2,369	4,529	(2,534)	1,995

Figures may not be additive due to rounding.

Op. Entity: Operating entities. Corp. & others: Reflects corporate and other adjustments.

EARNINGS PROFILE

The projected after-tax distributable earnings of FWD Group on a discounted and undiscounted basis for the in-force business as at 31 March 2022, with comparable figures as at 31 December 2021, are set out in Table 5.6.

The net-of-tax distributable earnings are defined as the distributable profits to shareholders from the assets backing the statutory reserves and the required capital of in-force business as at 31 March 2022. On a discounted basis, the total net-of-tax distributable earnings are equal to the sum of the required capital and the VIF for the Business Units and corporate and other adjustments.

Table 5.6: Cash flow profile of net-of-tax distributable earnings for FWD Group's in-force business (in USD millions)

	As at 31 Dec 2021		As at 31 Mar 2022	
Expected period of emergence	**Undiscounted**	**Discounted**	**Undiscounted**	**Discounted**
1 – 5 years	1,552	1,219	2,057	1,699
6 – 10 years	2,737	1,586	2,714	1,580
11 – 15 years	2,344	977	2,263	940
16 – 20 years	1,824	548	1,870	557
21 years and thereafter	15,128	1,059	14,816	1,045
Total	23,584	5,389	23,720	5,821

Figures may not be additive due to rounding.

The discounted value of net-of-tax distributable earnings of USD5,821 million (YE2021: USD5,389 million) plus free surplus of USD3,715 million (YE2021: USD4,471 million) less financing of USD(3,853) million (YE2021: USD(4,130) million) is equal to the 1Q2022 EV (net of financing) of USD5,683 million (YE2021: USD5,731 million). The significant increase net-of-tax distributable earnings in the first five years as at 31 December 2021 to 31 March 2022 is driven by the increase in investment returns reflecting the rise in bond yields for Hong Kong. This is offset by the fall in asset values from the revision in yields, which has been captured within the ANW.

5.2. VALUE OF NEW BUSINESS

The VNB and VNB margins for new business written in the three months ended 31 March 2022, together with comparable figures for the equivalent three months ended 31 March 2021, are presented in Table 5.7 and Table 5.8 respectively, split by region. Figures do not include allowance for expense and commission overruns in respect of the underlying new business. Details of the historical operating expense and commission variance over the three-month period are set out in Table 4.5.

Table 5.7: Breakdown of VNB by region (in USD millions)

	Three months ended 31 Mar 2021			Three months ended 31 Mar 2022		
	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB
Hong Kong						
Onshore	84	802	37	78	673	31
Offshore	39	151	4	38	314	12
Sub-total	123	953	41	117	987	43
Japan						
COLI	21	120	7	17	86	7
Individual	33	257	28	36	284	30
Sub-total	53	376	36	53	371	37
Thailand						
SCB	141	725	60	115	570	58
Others	24	124	10	30	149	14
Sub-total	165	849	69	145	720	72
Emerging Markets						
Sub-total	63	308	26	90	399	38
Total	404	2,487	172	405	2,476	191

Figures may not be additive due to rounding.

NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium; PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

Table 5.7a: NB APE and VNB growth rate by region

	NB APE		VNB	
	3M2021-3M2022 CAGR: CER basis	3M2021-3M2022 CAGR: AER basis	3M2021-3M2022 CAGR: CER basis	3M2021-3M2022 CAGR: AER basis
Hong Kong				
Onshore	(6.7%)	(6.7%)	(14.0%)	(14.0%)
Offshore	(0.9%)	(0.9%)	190.6%	190.6%
Sub-total	(4.9%)	(4.9%)	6.8%	6.8%
Japan				
COLI	(10.5%)	(18.4%)	(1.8%)	(10.4%)
Individual	22.7%	11.9%	17.9%	7.5%
Sub-total	9.8%	0.1%	13.8%	3.8%
Thailand				
SCB	(11.1%)	(18.5%)	6.0%	(2.9%)
Others	36.7%	25.2%	60.9%	47.4%
Sub-total	(4.2%)	(12.2%)	13.7%	4.1%
Emerging Markets				
Sub-total	46.4%	43.7%	48.6%	45.7%
Total	5.5%	0.3%	17.5%	11.0%

Figures may not be additive due to rounding.

CER = Constant exchange rate (please refer to Section 3.5 of ACR for the definition of CER). AER = Actual exchange rate.

NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium; CAGR = Compound Annual Growth Rate.

Table 5.8: VNB margin by region

	Three months ended 31 Mar 2021		Three months ended 31 Mar 2022	
	VNB/NB APE	VNB/PVNBP	VNB/NB APE	VNB/PVNBP
Hong Kong				
Onshore	43.4%	4.6%	40.0%	4.7%
Offshore	10.6%	2.7%	31.1%	3.8%
Sub-total	33.1%	4.3%	37.1%	4.4%
Japan				
COLI	35.9%	6.2%	39.4%	7.7%
Individual	86.9%	11.0%	83.5%	10.7%
Sub-total	67.1%	9.5%	69.5%	10.0%
Thailand				
SCB	42.3%	8.2%	50.4%	10.2%
Others	40.4%	7.8%	47.5%	9.5%
Sub-total	42.0%	8.2%	49.8%	10.0%
Emerging Markets				
Sub-total	41.9%	8.5%	42.5%	9.6%
Total	42.6%	6.9%	47.1%	7.7%

Figures may not be additive due to rounding.

NB APE = New Business APE = 100% annualised first year premium plus 10% of single premium; PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

FWD Group NB APE grew by 0.3% for the three months ended 31 March 2022 from USD404 million for 3M2021 to USD405 million for 3M2022. In USD terms, the increase in NB APE in Emerging Markets has largely been offset by the reduction in NB APE in Thailand, mainly due to strengthening of the USD against the Thai Baht. The VNB margin (expressed as a percentage of NB APE) for FWD Group increased over the same period from 42.6% for 3M2021 to 47.1% for 3M2022.

For FWD Hong Kong, the fifth wave of the COVID-19 pandemic resulted in a fall in onshore business in 3M2022. There has been an increase in VNB margin from 33.1% in 3M2021 to 37.1% in 3M2022. This increase in margin was mainly due to the introduction of higher margin new products.

For FWD Japan, the NB APE increased by 9.8% from 3M2021 to 3M2022 in terms of local currency, but was almost unchanged in USD terms due to the strengthening of the USD against the Japanese Yen (increased by 0.1% over the period). The VNB margin increased from 67.1% in 3M2021 to 69.5% in 3M2022. This increase was mainly due to a shift towards sales of higher margin medical and cancer products.

For FWD Thailand, the Thai Baht weakened against the USD in 3M2022, leading to a fall in NB APE from USD165 million in 3M2021 to USD145 million in 3M2022. The VNB margin increased from 42.0% for 3M2021 to 49.8% for 3M2022. This increase was mainly due to a shift towards higher margin endowments and unit linked products, and sales of a newly launched protection product sold through SCB.

For the Emerging Markets, the growth in NB APE volumes across most markets led to an increase in VNB from USD26 million in 3M2021 to USD38 million in 3M2022. The growth in NB APE was mainly as a result of new business contributed from BRI Life of USD15 million in 3M2022. The VNB margin for Emerging Markets increased from 41.9% in 3M2021 to 42.5% in 3M2022.

5.3. ANALYSIS OF EV MOVEMENT

A breakdown of the EV movement (gross of financing) over the three months ended 31 March 2022 (referred to as "3M2022 movement") and comparable figures for the equivalent three months ended 31 March 2021 (referred to as "3M2021 movement") at a consolidated group level is presented in Table 5.9. The equivalent analysis of EV movement, net of financing, is shown in Appendix D to this Addendum.

Table 5.9: Analysis of EV movement of FWD Group (gross of financing) (in USD millions)

	Three months ended 31 Mar 2021			Three months ended 31 Mar 2022		
	ANW	VIF	EV	ANW	VIF	EV
Opening EV (1)	5,799	3,303	9,102	6,499	3,362	9,861
Acquisitions & partnerships/Discontinued business (2)	(184)	–	(184)	(35)	5	(30)
Expected return on EV (3)	63	57	120	193	(66)	127
VNB (4)	–	172	172	–	191	191
Operating variance and operating assumption change (5) = (6)+(7)+(8)	(39)	(19)	(58)	(26)	(14)	(40)
Operating variance – claims/persistency/expense (6)	(32)	(21)	(53)	(27)	(6)	(33)
Operating variance – Others (7)	(6)	1	(5)	1	(4)	(3)
Operating assumption change (8)	-	0	0	(0)	(4)	(4)
Total EV operating profit (9) = (3)+(4)+(5)	25	209	234	167	111	278
Economic variance and economic assumption change (10) = (11)+(12)	(303)	(18)	(321)	(578)	300	(278)
Economic variance (11)	(303)	(6)	(309)	(578)	300	(278)
Economic assumption change (12)	0	(13)	(12)	–	–	–
Other non-operating variance (13)	53	0	53	(48)	(9)	(57)
Total EV profit (14) = (9)+(10)+(13)	(225)	191	(34)	(459)	402	(57)
Capital movements[6] (15)	–	–	–	(57)	–	(57)
Corporate adjustments (16)	(18)	–	(18)	(15)	–	(15)
Financing (17)	(60)	–	(60)	(56)	–	(56)
Foreign exchange movement (18)	(132)	(141)	(272)	(28)	(81)	(109)
Closing EV (19) = (1)+(2)+(14)+(15)+(16) +(17)+(18)	5,179	3,354	8,533	5,848	3,688	9,536

Figures may not be additive due to rounding.

6 Capital raised through the issue of perpetual securities has been captured within this item as perpetual securities are treated as equity in the IFRS accounts.

The EV (gross of financing) of FWD Group reduced by USD324 million in the first three months of 2022 (3M2021: USD(569) million), from USD9,861 million as at 31 December 2021 to USD9,536 million as at 31 March 2022.

Key contributors to the reduction in the EV over 3M2022 are the negative economic variance (item (11)) of USD(278) million (3M2021: USD(309) million), foreign exchange movements (item (18)) of USD(109) million (3M2021: USD(272) million) and capital movements (item (15)) of USD(57) million (3M2021: zero). The capital movements reflect the redemption of perpetual securities of USD(250) million, offset by the capital injection of USD192 million arising from the conversion of these securities to ordinary shares. Financing (item (17) in Table 5.9), reflecting the debt raised/(repaid) and financing costs relating to interest accrued (negative impact) in the period, changed the EV by USD(56) million (3M2021: USD(60) million). As the analysis of movement is gross of financing, any financing raised in the period is equivalent to a capital injection and leads to an increase in EV, while any financing repaid in the period reduces the EV.

The activities relating to acquisitions, partnerships and discontinued business (item (2) in Table 5.9) changed the EV by USD (30) million (3M2021: USD (184) million), primarily due to the increase in stake in BRI Life from 2 March 2022. Corporate adjustments relating to unallocated Group Office expenses (item (16)) of USD (15) million (3M2021: USD (18) million) also contributed negatively to EV.

The EV operating profit (item (9) in Table 5.9), comprising returns on EV, VNB, operating variance, and operating assumption changes, contributed positively to EV profit of USD278 million (3M2021: USD234 million). Within these figures, the operating variance was negative across the period at USD(36) million (3M2021: USD(58) million), largely driven by expense and commission variance of USD(37) million (3M2021: USD(53) million), with the split of the expense and commission variance presented in Table 4.4 and Table 4.5. Excluding expense and commission variance, the remaining operating variance comes from mortality and morbidity (3M2021: USD22 million, 3M2022: USD15 million), persistency (3M2021: USD(22) million, 3M2022: USD(11) million), and others (item (9) in Table 5.9) (3M2021: USD(5) million, 3M2022: USD(3) million).

The EV profit (item (14) in Table 5.9), comprising the EV operating profit, economic variance and assumption changes, and other non-operating variance was negative over the period at USD(57) million (3M2021: USD(34) million). The other non-operating variance (item (13) in Table 5.9) of USD(57) million (3M2021: USD53 million) included the allocation of one-off and non-recurrent expenses to cover FWD Group project-related spending (e.g. integration costs), industrial recruitment packages (reflecting costs associated with recruiting and growing the agency distribution channel), and one-off adjustments such as the impact of methodology and regulatory changes on EV. A detailed breakdown is shown in Table 5.10.

Table 5.10: Breakdown of other non-operating variance (in USD millions)

	Three months ended 31 Mar 2021	Three months ended 31 Mar 2022
Non-operating expense variance (1) = (2) + (3) + (4) + (5)	47	(28)
Mergers and acquisitions, business set and restructure related costs (2)	(10)	(14)
[**REDACTED**] related costs including incentive costs (3)	(9)	(11)
Implementation costs for new accounting standards and other mandatory regulatory changes (4)	(6)	(9)
Other non-recurring items (See note (1)) (5)	72	5
Industrial recruitment packages (6)	(7)	(10)
Others (See note (2)) (7)	13	(18)
Total (8) = (1) + (6) + (7)	**53**	**(57)**

Figures may not be additive due to rounding.

Note (1): Refers to all other non-recurring items classified as expense variance and includes investment income generated from non-operating entities and the profits/(loss) arising from the sale of non-operating entities.

Note (2): Refers to all other non-operating variance including the impact of methodology and regulatory changes on EV.

EV OPERATING PROFIT

A breakdown of the EV operating profit for the first three months of 2022, both before and after operating assumption changes and other operating variances, together with comparable figures for the first three months of 2021, is presented in Table 5.11. The EV operating profit after operating assumption changes and other operating variances is derived from item 7, item 8 and item 9 of Table 5.9.

Table 5.11: Operating return on EV (in USD millions)

	Three months ended 31 Mar 2021	Three months ended 31 Mar 2022
EV operating profit after operating assumption changes and other operating variances (1)	234	278
Plus: Adjustment to reverse out operating assumption changes and other operating variances (See note (1)) (2)	5	7
EV operating profit before operating assumption changes and other operating variances (3) = (1)+(2)	239	285

Figures may not be additive due to rounding.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

5.4. FREE SURPLUS GENERATION

FWD Group's free surplus in the first three months of 2022 reduced by USD756 million (3M2021: USD(776) million) from USD4,471 million as at 31 December 2021 to USD3,715 million as at 31 March 2022. The change in free surplus is made up of the following key components:

- Capital movements (item (9) in Table 5.12) in the period of USD(57) million (3M2021: zero) reflecting the redemption of perpetual securities of USD(250) million and offset by the capital raised in the period of USD192 million from the conversion of these securities to ordinary shares.

- Impact from acquisitions, partnerships and discontinued business (item (2) in Table 5.12) of USD (35) million (3M2021: USD (202) million) primarily due to the increase in stake in BRI Life from 2 March 2022.

- Impact of financing (item (10) in Table 5.12) reflecting the total of financing raised/(repaid) and financing costs relating to interest accrued (negative impact) in the period of USD (56) million (3M2021: USD (60) million).

- Positive underlying free surplus generated from operating entities (item (3) in Table 5.12) in the period of USD200 million (3M2021: USD88 million).

- Negative impact of free surplus used to fund new business (item (6) in Table 5.12) in the period of USD (114) million (3M2021: USD (156) million).

- One-off impact on free surplus resulting from investment return variances and other items (item (8) in Table 5.12) in the period of USD (695) million (3M2021: USD (447) million).

Table 5.12 provides a breakdown of the movement of free surplus, gross of financing, of FWD Group for the three months ended 31 March 2022, with comparable figures for the equivalent three months ended 31 March 2021. The equivalent movement of free surplus, net of financing, is presented in Appendix E to this Addendum.

Table 5.12: Analysis of movement of free surplus (gross of financing) (in USD millions)

	Three months ended 31 Mar 2021			Three months ended 31 Mar 2022		
	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total
Opening free surplus (1)	2,879	1,176	4,055	2,843	1,629	4,471
Acquisitions & partnerships/Discontinued business (2)	71	(273)	(202)	19	(54)	(35)
Underlying free surplus generation (3) = (4)+(5)	88	–	88	200	–	200
Opening adjustment (4)	2	–	2	18	–	18
Underlying free surplus generation before adjustment (5)	86	–	86	182	–	182
Free surplus used to fund new business (6)	(156)	–	(156)	(114)	–	(114)
Net underlying free surplus generation (7) = (3)+(6)	(67)	–	(67)	86	–	86
Investment return variances and other items (8)	(496)	49	(447)	(676)	(19)	(695)
Capital movements (9)	101	(101)	–	124	(181)	(57)
Financing (10)	–	(60)	(60)	–	(56)	(56)
Closing free surplus (11) = (1)+(2)+(7)+(8)+(9)+(10)	2,488	791	3,279	2,395	1,320	3,715

Figures may not be additive due to rounding.

Op. Entity: Operating entity. Corp. & others: Reflects corporate and other adjustments.

The net underlying free surplus generation includes variances relating to expenses, opening adjustments relating to methodology updates (item (4)) and the impact of non-economic assumption changes. The opening adjustments and impact of non-economic assumption changes have been classified as one-off variances. The negative variances on expenses mainly relate to operating expense and commission variance, where actual operating expenses and commission payments exceed the long term unit cost loadings[7], and

[7] Differs from the operating expense and commission variance shown in Table 4.4 as it includes planned maintenance expense overruns arising from in-force business. These planned maintenance expense overruns do not contribute to operating expense and commission variance in the EV as these overruns will be offset by the release in provision set aside in the VIF (please refer to Table 4.3).

changes to free surplus as a result of revisions to expense assumptions. A summary of these items and the adjusted net free surplus generation including adjustments for these one-off variances are presented in Table 5.13.

Table 5.13: Breakdown of expense variance and one-off items in the net underlying free surplus generation (in USD millions)

	Three months ended 31 Mar 2021	Three months ended 31 Mar 2022
Opening adjustments (1)	2	18
Non-economic assumption changes (excluding expense revisions) (2)	–	–
Total one-off variance (3) = (1) + (2)	2	18
Expense variance (4)	(63)	(51)
Net underlying free surplus generation (5)	(67)	86
Adjusted net underlying free surplus generation (6) = (5) – (3) – (4)	(6)	119

Figures may not be additive due to rounding.

6 MILLIMAN REVIEW

This section describes a summary of our review in respect of the methodology, assumptions and 1Q2022 EV Results.

6.1. REVIEW OF METHODOLOGY

The 1Q2022 EV Results have been prepared in accordance with the same methodology as assumed in the ACR. Reference should be made to Section 6.1 of the ACR for details of Milliman's review and comments on the methodology.

6.2. REVIEW OF ASSUMPTIONS

The non-economic assumptions for the 1Q2022 EV Results are consistent with those used for YE2021, as experience analyses are conducted by FWD annually at year-end. The economic assumptions have been updated to reflect the long term returns prescribed by FWD Group and the current market yields observed as at 31 March 2022. Reference should be made to Section 6.2 of the ACR for details of Milliman's review and comments on the assumptions.

6.3. REVIEW OF RESULTS

In reviewing the 1Q2022 EV Results, we have performed the same checks as documented in Section 6.3 of the ACR.

6.4. OPINION

Based on our review of the methodology and assumptions used by FWD to calculate the 1Q2022 EV Results, Milliman concludes that:

- The methodology used to determine the 1Q2022 EV Results is consistent in all material respects with the FWD Group EV Policy (referred to as "EV Policy").

- The methodology specified in the EV Policy is in all material respects comparable to the Traditional Embedded Value ("TEV") methodology commonly adopted by listed insurers incorporated in Asia. There are, however, certain features within the methodology that are specific to FWD given its size and corporate structure, as highlighted in Section 6.1 of the ACR.

- The non-economic assumptions used to calculate the 1Q2022 EV Results have been developed using the operating experience of the Business Units, with allowance for expected future trends where applicable, or have been set with reference to industry experience or pricing assumptions where the experience of the Business Units is not statistically credible. The analysis of EV movement performed by the Business Units, however, shows negative persistency variances and positive mortality variances for both 3M2021 and 3M2022 for FWD Group, although it is noted that the negative persistency variance has reduced in the most recent first quarter. Continuation of adverse persistency experience could have a material impact on the 1Q2022 EV Results as presented in this Addendum. In addition, the 1Q2022 EV Results have been determined using long term expense assumptions set on the basis that Business Units will be able to eliminate expense overruns in the short to medium term in line with internal business plans. An increase in expenses or a reduction in sales compared to the assumptions used in the business plan forecasts could lead to an increase in expense assumptions and adversely affect the 1Q2022 EV Results.

- The economic assumptions used to develop the 1Q2022 EV Results have been determined having regard to the investment policy of each Business Unit, and current and expected future economic conditions, and are broadly consistent with economic assumptions adopted by insurers in Asia that report on a TEV basis. Checks have also been performed for key Business Units to validate the consistency of the allowance for risk in the risk discount rate with an alternative market consistent approach.

- The 1Q2022 EV Results have been prepared in all material respects in accordance with the methodology and assumptions described in this Addendum. This has been validated through the sample model point checks performed for products making up over 90% of VIF (measured by in-force statutory reserves) and VNB (measured by NB APE) for each Business Unit.

This opinion is subject to the reliances and limitations set out in both the ACR and this Addendum.

7 RELIANCES AND LIMITATIONS

7.1. RELIANCES

In carrying out our work and producing this Addendum we have relied on information supplied by FWD. Reliance was placed on, but not limited to, the accuracy of the information provided to us.

Except as specifically stated in this Addendum, we have performed no audits or independent verification of the information furnished to us. To the extent that there are any material errors in the information provided, the results of our analysis will be affected as well, possibly materially. The principal materials provided by FWD and relied upon by us are listed in Appendix B to both this Addendum and the ACR.

FWD Group has confirmed to us that the data and information it has provided to us is accurate and complete.

7.2. LIMITATIONS

This Addendum is subjected to the same limitations as presented in Section 7.2 of the ACR.

Yours faithfully,
for Milliman Limited

Michael Daly FIA	Wen Yee Lee FIAA
Principal & Consulting Actuary	Principal & Consulting Actuary

Appendix A: Abbreviations

ACR:	Actuarial Consultant's Report
AER:	Actual Exchange Rate
ANW:	Adjusted Net Worth
BRI Life:	PT Asuransi BRI Life
CAGR:	Compound Annual Growth Rate
CER:	Constant Exchange Rate
COLI:	Corporate Owned Life Insurance
EV:	Embedded Value
EV Equity:	Equity attributable to shareholders and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders
EV Policy:	FWD Group EV Policy
FWD Cambodia:	FWD Life Insurance (Cambodia) Plc.
FWD Life Japan:	FWD Life Insurance Company, Limited
FWD Group:	FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited)
FWD Group Services:	FWD Group Services (Thailand) Co., Ltd.
FWD HK:	Includes FWD Life (Bermuda) (except FWD Malaysia, FWD Vietnam), FWD Macau, FWD Life Assurance (Hong Kong) and FWD Life (Hong Kong)
FWD Indonesia:	PT FWD Insurance Indonesia
FWD Japan:	Includes FWD Life Japan and FWD Reinsurance
FWD Life Assurance (Hong Kong):	FWD Life Assurance Company (Hong Kong) Limited

FWD Life (Bermuda):	FWD Life Insurance Company (Bermuda) Limited
FWD Life (Hong Kong):	FWD Life (Hong Kong) Limited
FWD Life Indonesia:	PT FWD Life Indonesia
FWD Macau:	FWD Life Insurance Company (Macau) Limited
FWD Malaysia:	FWD Takaful Berhad
FWD Philippines:	FWD Life Insurance Corporation
FWD Reinsurance	FWD Reinsurance SPC, Ltd.
FWD Singapore:	Includes FWD Singapore Pte. Ltd. and IPP Financial Advisers Pte. Ltd.
FWD Thailand:	Includes FWD Life Insurance Public Company Limited, FWD Cambodia and FWD Group Services
FWD VCLI:	FWD Assurance VietNam Company Limited
FWD Vietnam:	FWD Vietnam Life Insurance Company Limited
FX rate:	Foreign Exchange Rate
HKD:	HK Dollar
IDR:	Indonesian Rupiah
IFRS:	International Financial Reporting Standards
IFRS accounts:	Consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) for the three months ended 31 March 2021 (unaudited) and 2022 (audited)
[**REDACTED**]:	Initial [**REDACTED**]
IPP:	IPP Financial Advisers Pte. Ltd.
JPY:	Japanese Yen

MOP:	Macanese Pataca
MYR:	Malaysia Ringgit
NA:	Not Applicable/Not Available
n/m:	Not Meaningful
NB APE:	New Business Annual Premium Equivalent
PHP:	Philippine Peso
pps:	Percentage Points
PVNBP:	Present Value of New Business Premium
RBC:	Risk-based Capital
SCB:	Siam Commercial Bank
SCB Life	SCB Life Assurance Public Company Limited
SGD:	Singapore Dollar
SME Term:	Small and Medium Enterprise Term Life
TEV:	Traditional Embedded Value
THB:	Thai Baht
USD:	US Dollar
VIF:	Value of In-force Business after Cost of Capital
VNB:	Value of New Business after Cost of Capital
VND:	Vietnamese Dong
YoY:	Year-on-year

Appendix B: Key information received

- Consolidated IFRS accounts of FWD Limited and FWD Group Limited as at 31 March 2022 (audited) and 31 March 2021 (unaudited);

- Consolidated IFRS accounts of FWD Group as at 31 March 2022 (audited) and 31 March 2021 (unaudited);

- Statutory financial statements and solvency reports by Business Unit as at 31 March 2022 and 31 March 2021;

- Breakdown of statutory reserves by Business Unit as at 31 March 2022 and 31 March 2021;

- New business summary by product for new business sold by Business Unit in the three months ended 31 March 2022 and 31 March 2021;

- Group Office expense adjustments as at 31 March 2022 and 31 March 2021;

- EV Results breakdown by Business Unit as at 31 March 2022 and 31 March 2021 including analysis of EV movement;

- Summary of quarterly VNB results, NB APE and PVNBP for new business written in the three months ended 31 March 2022 and 31 March 2021;

- Group consolidated results as at 31 March 2022 and 31 March 2021, including any off-model adjustments;

- FWD's in-house actuarial models by Business Unit as used to prepare the 1Q2022 EV Results;

- Individual in-force policy database by Business Unit as at 31 March 2022 and 31 March 2021;

- Individual new business policy database by Business Unit for new business sold in the three months ended 31 March 2022 and 31 March 2021;

- Product descriptions for key in-force and new business products reviewed; and

- Other information and clarifications obtained through various email and telecommunication during the period of our assignment.

Appendix C: Exchange rates

Table C.1: Exchange rates to 1 USD

	FX rate used for EV		
	31 Mar 2021	31 Dec 2021	31 Mar 2022
Hong Kong Dollar (HKD)	7.77	7.80	7.83
Macanese Pataca (MOP)	8.01	8.03	8.06
Japanese Yen (JPY)	110.73	115.15	121.62
Thai Baht (THB)	31.36	33.26	33.29
Indonesian Rupiah (IDR)	14,532.00	14,263.00	14,364.00
Malaysia Ringgit (MYR)	4.15	4.17	4.21
Philippine Peso (PHP)	48.53	50.98	51.76
Singapore Dollar (SGD)	1.35	1.35	1.35
Vietnamese Dong (VND)	23,076.00	22,786.00	22,838.00

	FX rate used for VNB and movement items in EV AOM Quarterly average FX rate	
	First quarter 2021	First quarter 2022
Hong Kong Dollar (HKD)	7.76	7.81
Macanese Pataca (MOP)	7.99	8.04
Japanese Yen (JPY)	105.95	116.20
Thai Baht (THB)	30.27	33.04
Indonesian Rupiah (IDR)	14,154.77	14,343.73
Malaysia Ringgit (MYR)	4.07	4.19
Philippine Peso (PHP)	48.30	51.54
Singapore Dollar (SGD)	1.33	1.35
Vietnamese Dong (VND)	23,048.05	22,768.54

Appendix D: Analysis of EV movement (net of financing)

Table D.1: Analysis of EV movement of FWD Group (net of financing) (in USD millions)

	Three months ended 31 Mar 2021			Three months ended 31 Mar 2022		
	ANW	VIF	EV	ANW	VIF	EV
Opening EV (1)	458	3,303	3,761	2,369	3,362	5,731
Acquisitions & partnerships/Discontinued business (2)	(184)	–	(184)	(35)	5	(30)
Expected return on EV (3)	63	57	120	193	(66)	127
VNB (4)	–	172	172	–	191	191
Operating variance and operating assumption change (5) = (6)+(7)+(8)	(39)	(19)	(58)	(26)	(14)	(40)
Operating variance – claims/persistency/expense (6)	(32)	(21)	(53)	(27)	(6)	(33)
Operating variance – Others (7)	(6)	1	(5)	1	(4)	(3)
Operating assumption change (8)	–	0	0	(0)	(4)	(4)
Total EV operating profit (9) = (3)+(4)+(5)	25	209	234	167	111	278
Economic variance and economic assumption change (10) = (11)+(12)	(309)	(18)	(327)	(569)	300	(269)
Economic variance (11)	(309)	(6)	(315)	(569)	300	(269)
Economic assumption change (12)	0	(13)	(12)	–	–	–
Other non-operating variance (13)	53	0	53	(48)	(9)	(57)
Total EV profit (14) = (9)+(10)+(13)	(231)	191	(40)	(449)	402	(48)
Capital movements (15)	–	–	–	192	–	192
Corporate adjustments (16)	(18)	–	(18)	(15)	–	(15)
Financing (17)	(46)	–	(46)	(37)	–	(37)
Foreign exchange movement (18)	(132)	(141)	(272)	(28)	(81)	(109)
Closing EV (19) = (1)+(2)+(14) +(15)+(16)+(17)+(18)	(154)	3,354	3,199	1,995	3,688	5,683

Figures may not be additive due to rounding.

D.1 The differences between Table D.1 and Table 5.9 (analysis of EV movement gross of financing), are as follows:

- The opening and closing EV presented in Table D.1 have been updated to reflect the EV net of financing; and

- The economic variance, capital movements and financing cost (item (11), items (15) and (17) in Table D.1) have been adjusted to only reflect interest paid in the period on the financing held. Unlike the analysis of EV movement gross of financing, any financing raised/(repaid) will not have an impact on the EV as the carrying value of financing is treated as a liability and excluded in the ANW.

Appendix E: Analysis of movement of free surplus (net of financing)

Table E.1: Analysis of movement of free surplus (net of financing) (in USD millions)

	Three months ended 31 Mar 2021			Three months ended 31 Mar 2022		
	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total
Opening free surplus (1)	2,879	(4,164)	(1,286)	2,843	(2,501)	342
Acquisitions & partnerships/Discontinued business (2)	71	(273)	(202)	19	(54)	(35)
Underlying free surplus generation (3) = (4)+(5)	88	–	88	200	–	200
Opening adjustment (4)	2	–	2	18	–	18
Underlying free surplus generation before adjustment (5)	86	–	86	182	–	182
Free surplus used to fund new business (6)	(156)	–	(156)	(114)	–	(114)
Net underlying free surplus generation (7) = (3)+(6)	(67)	–	(67)	86	–	86
Investment return variances and other items (8)	(496)	42	(453)	(676)	(10)	(685)
Capital movements (9)	101	(101)	–	124	68	192
Financing (10)	–	(46)	(46)	–	(37)	(37)
Closing free surplus (11) = (1)+(2)+(7)+(8)+(9)+(10)	2,488	(4,542)	(2,055)	2,395	(2,534)	(138)

Figures may not be additive due to rounding. Op. Entity: Operating entity, Group adj.: Reflects corporate and other net assets and adjustments for financing.

E.1 The differences between Table E.1 and Table 5.12 (analysis of movement of free surplus, gross of financing) are as follows:

- The opening and closing free surplus presented in Table E.1 have been updated to reflect the free surplus net of financing; and

- The investment return variances and other items, capital movements and financing cost (item (8), item (9) and item (10) in Table E.1) have been adjusted to only reflect interest paid in the period on the financing held. Unlike analysis of movement of free surplus (gross of financing), any financing raised/(repaid) will not have an impact on the free surplus as the carrying value of financing is treated as a liability and excluded in the free surplus calculation.

Appendix F: EV and EV equity results as at 31 March 2021

Table F.1: Breakdown of Group EV (in USD millions)

	As at 31 March 2021		
	ANW	VIF	EV
Operating entity EV	4,388	3,907	8,296
Plus: Corporate & Other net assets	791	–	791
Less: Unallocated Group Office expenses	–	(554)	(554)
Group EV (gross of financing)	5,179	3,354	8,533
Less: Financing	(5,333)	–	(5,333)
Group EV (net of financing)	(154)	3,354	3,199

Figures may not be additive due to rounding.

Table F.2: Breakdown of EV equity (in USD millions)

	As at 31 March 2021
Group EV (gross of financing)	8,533
Plus: Goodwill and other intangible assets	3,453
EV equity (gross of financing)	11,985
Less: Financing	
- Borrowings	(3,460)
- Perpetual securities	(1,873)
EV equity (net of financing)	6,652

Figures may not be additive due to rounding.

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the company laws of the Cayman Islands.

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 18 March 2013. Our Company's constitutional documents consist of its Memorandum and Articles of Association.

1. Memorandum of Association

1.1 The Memorandum provides, inter *alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

1.2 By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. Articles of Association

The Articles were conditionally adopted on [·]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of our Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of not less than three quarters of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum shall be not less than persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(c) Alteration of capital

Our Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum of Association;

(v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of our Company to purchase its own shares

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resign;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of our Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(g) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with our Company or any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer; and

(iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either:

    (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

    (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under the Cayman Companies Act and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies within 15 days of being passed.

An "ordinary resolution," by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights, on a one vote per Share basis, of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote individually on a show of hands.

Shareholders must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except where a Shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Our Company shall hold the annual general meeting within six months after the end of its financial year. The annual general meeting shall be held in the Relevant Territory (as defined in the Articles) or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint.

(d) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

(i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per Share basis in the share capital of our Company.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights the necessary quorum shall be persons holding or representing by proxy not less than one-third of the issued shares of that class.

(f) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by our Company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions. The financial year of our Company shall end on 31 December of each year or such date as the Directors may determine.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The appointment, removal and remuneration of the auditors must be approved by a majority of our Company's Shareholders in the annual general meeting or by other body that is independent of the Board.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the Board may also remove the Auditors by a three-quarters majority vote before the expiration of the term of office and shall by a simple majority vote appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Board or our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed on terms equivalent to section 632 of the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if our Company is wound up and the assets available for distribution among the members of our Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if our Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. SALIENT PROVISIONS OF THE LAWS OF THE CAYMAN ISLANDS

The following is a summary of the salient provisions of the laws of the Cayman Islands as at the date of this document which are applicable to a Cayman Islands incorporated company. The summary below is for general guidance only and does not constitute legal advice nor should it be used as a substitute for specific legal advice on the corporate laws of the Cayman Islands. The summary does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the corporate laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account." At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in Section 37 of the Cayman Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Act, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;

(b) voluntarily by its members; or

(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e., the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Walkers (Hong Kong), our Company's legal counsel on Cayman law, have sent to our Company a letter of advice summarising certain aspects of Cayman company law. This letter, together with a copy of the Cayman Companies Act, are available on display as referred to in "*Appendix VI – Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display*". Any person wishing to have a detailed summary of Cayman company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 18 March 2013 under the name "Power Shine Limited" and on 12 November 2015 was renamed "PCGI Intermediate Holdings Limited". On 20 August 2021, our Company was renamed "FWD Group Holdings Limited". On 10 January 2022, our Company adopted the dual foreign name of "富衛集團有限公司".

Our Company has established a place of business in Hong Kong at 13/F, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 16 November 2020, with Steven Winegar of 13/F, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong and Lui Wing Yat Christopher of 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong appointed as the Hong Kong authorised representatives of our Company on 1 August 2022 for acceptance of the service of process and any notices required to be served on our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to Cayman Islands law and to its Memorandum and Articles of Association. A summary of the relevant sections of the Memorandum and Articles of Association of our Company and the relevant aspects of the Cayman Companies Act is set out in *"Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law."*

2. Changes in the Share Capital of our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was US$50,000.00 divided into 50,000 shares with a par value of US$1.00 each.

The following alterations in the issued and paid up share capital of our Company have taken place during the two years immediately preceding the date of this document:

(a) on 17 December 2020, 18,486,640 shares with a par value US$1.00 were allotted and issued, credited as fully paid, to Mr. Li as a result of the merger between PCGI and our Company;

(b) on 13 May 2021, our Company allotted and issued 2,142,858 shares with a par value US$1.00 to PCGI Holdings at a consideration of US$600 million;

(c) on 20 August 2021, each of the then-authorised ordinary shares of our Company, par value US$1.00 each, was divided into 100 ordinary shares, par value US$0.01 each;

(d) following the Share Split, PCGI Holdings owned 2,162,950,800 Shares and surrendered for no consideration 1,514,065,560 Shares for cancellation, following which PCGI Holdings owns 648,885,240 Shares in our Company;

(e) on 14 December 2021, our Company allotted and issued 49,441,786 Shares to PCGI Holdings at a consideration of US$310 million;

(f) on 14 December 2021, our Company allotted and issued 63,795,853 Shares to Athene at a consideration of US$400 million;

(g) on 14 December 2021, our Company allotted and issued 1,594,896 Shares to MPIC at a consideration of US$10 million;

(h) on 15 December 2021, our Company allotted and issued 47,846,889 Shares to DGA Capital (Master) Fund at a consideration of US$300 million;

(i) on 15 December 2021, our Company allotted and issued 28,708,133 Shares to SCB at a consideration of US$180 million;

(j) on 15 December 2021, our Company allotted and issued 11,961,722 Shares to Swiss Re PICA at a consideration of US$75 million;

(k) on 20 December 2021, our Company allotted and issued 23,923,444 Shares to CPP Investments at a consideration of US$150 million;

(l) on 14 January 2022, our Company allotted and issued 15,948,963 Shares to ORIX Asia Capital at a consideration of US$100 million; and

(m) on 27 January 2022, our Company allotted and issued 15,948,963 Shares to Huatai Growth Focus Limited at a consideration of US$100 million.

Save as disclosed above and in "– *Written Resolutions of the shareholders of our Company passed on [·]*" below, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written Resolutions of the shareholders of our Company passed on [·] 2022

On [·] 2022, resolutions of our Company were passed by the shareholders pursuant to which, among other things:

(a) our Company approved and adopted the Memorandum and Articles of Association conditional upon [**REDACTED**]; and

(b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "*Structure of the* [**REDACTED**] – *Conditions of the* [**REDACTED**]" and pursuant to the terms set out therein:

(1) the [**REDACTED**] (including the [**REDACTED**]) was approved and the Directors were authorised to determine the [**REDACTED**] for and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

(2) the [**REDACTED**] was approved and the Directors were authorised to implement the [**REDACTED**];

(3) the Directors were authorised to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

(4) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme of similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(A) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [**REDACTED**]; and

(B) the nominal amount of our share capital repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (5) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of our Company, (II) the end of the period within which our Company is required by the Memorandum and Articles of Association or any applicable laws to hold its next annual general meeting and (III) the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**"); and

(5) a general unconditional mandate was granted to the Directors to exercise all the powers of our Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules, not exceeding in aggregate 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the [**REDACTED**], such mandate to remain in effect during the Relevant Period.

4. Subsidiaries

Details of the material subsidiaries of our Company are set out in "*Appendix I – Accountants' Report.*"

The following subsidiaries have been incorporated within two years immediately preceding the date of this document:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
FWD TIM Enterprises Sdn. Bhd.	Malaysia	21 December 2020
FWD Indonesia	Indonesia	1 December 2020(1)
Venus GFC TMK(2)	Japan	27 November 2020
FWD Thailand	Thailand	1 October 2020

Notes:

(1) On 1 December 2020, PT FWD Insurance Indonesia merged with PT FWD Life Indonesia with the new merged company named PT FWD Insurance Indonesia. The date of incorporation of PT FWD Insurance Indonesia was 25 April 1990.

(2) Legal name is ヴィーナスGFC特定目的會社, no English name is formally adopted.

Details of the changes in the share capital of our Company's Principal Subsidiaries during the two years immediately preceding the date of this document are set out below:

On 23 October 2020, FL allotted and issued 4,774,750 Series B3 Convertible Preference Shares of US$0.01 to our Company for a consideration of US$1,236,571,439.65, 6,323 Series B2 Convertible Preference Shares of US$0.01 Wong Ka Kit for a consideration of US$1,999,948.46 and 664,341 Series B2 Convertible Preference Shares of US$0.01 to Swiss Re Investments for a consideration of US$161,799,652.64.

On 29 December 2020, FL allotted and issued 1,169,784 Series B4 Convertible Preference Shares of US$0.01 to our Company for a consideration of US$220,000,000.

On 14 May 2021, FL allotted and issued 4,696,428 ordinary shares of US$0.01 to our Company for a consideration of US$319,999,961.06, 24,600 ordinary shares of US$0.01 to Huynh Thanh Phong for services rendered, 15,625 ordinary shares of US$0.01 to Ronald Joseph Arculli for services rendered, 1,672 ordinary shares of US$0.01 to each of Suwimon Thangnisaitrong, Krit Chitranapawong and Apriak Chitranondh for exercise of RSUs, 4,507 ordinary shares of US$0.01 to Craig Alan Merdian for exercise of RSUs, 22,957 ordinary shares of US$0.01 to Jon Paul Nielsen for exercise of RSUs, and 3,616 ordinary shares of US$0.01 to Poramasiri Manolamai for exercise of RSUs.

On 8 June 2021, FL allotted and issued 1,672 ordinary shares of US$0.01 to each of Paul Andrew Carrett and Lau Soon Liang for exercise of RSUs.

On 21 June 2022, FL allotted and issued 31,250 ordinary shares of US$0.01 to Ronald Joseph Arculli for services rendered, 11,372 ordinary shares of US$0.01 to Craig Alan Merdian for exercise of RSUs, 2,000 ordinary shares of US$0.01 to Krit Chitranapawong for exercise of RSUs, 827 ordinary shares of US$0.01 to Peter Karl Grimes for exercise of RSUs, 3,339 ordinary shares of US$0.01 to Poramasiri Manolamai for exercise of RSUs, 2,000 ordinary shares of US$0.01 to Apirak Chitranondh for exercise of RSUs, 516 ordinary shares of US$0.01 to David John Korunic for exercise of RSUs, 53,798 ordinary shares of US$0.01 to Jon Paul Nielsen for exercise of RSUs, 12,393 ordinary shares of US$0.01 to Shelyne Ailing for exercise of options, 11,508 ordinary shares of US$0.01 to Peter Karl Grimes for exercise of options, 13,513 ordinary shares of US$0.01 to Anantharaman Sridharan for exercise of options, 16,947 ordinary shares of US$0.01 to Binayak Dutta for exercise of options, 6,393 ordinary shares of US$0.01 to Lo Kwok Chung Raymond for exercise of options, 3,672 ordinary shares of US$0.01 to each of Tsuyoshi Ichihara and Ryuji Kaneda for exercise of options, 5,508 ordinary shares of US$0.01 to Wong Kwan Kit for exercise of options, 750 ordinary shares of US$0.01 to Zhuang Li Hao for exercise of options, 1,500 ordinary shares of US$0.01 to each of Law Yim Ling, Chow Hun Chi Julie, Nicolas Rodriguez, Law Lai Yee Cecilia, Tse Chun Kwok and Takahiro Ogasawara for exercise of options, 3,649 ordinary shares of US$0.01 to Huynh Huu Khang for exercise of options and 73,127 ordinary shares of US$0.01 to Lau Chi Kin for exercise of options.

On 23 October 2020, FGL allotted and issued 4,774,750 Series B3 Convertible Preference Shares of US$0.01 to our Company for a consideration of US$273,670,525.95, 6,323 Series B3 Convertible Preference Shares of US$0.01 to Wong Ka Kit for a consideration of US$63.23 and 664,341 Series B3 Convertible Preference Shares of US$0.01 to Swiss Re Investments for a consideration of US$48,329,811.24.

On 29 December 2020, FGL allotted and issued 1,169,784 Series B4 Convertible Preference Shares of US$0.01 to our Company for a consideration of US$149,999,810.22.

On 14 May 2021, FGL allotted and issued 4,696,428 ordinary shares of US$0.01 to our Company for a consideration of US$994,999,878.94, 24,600 ordinary shares of US$0.01 to Huynh Thanh Phong for services rendered, 15,625 ordinary shares of US$0.01 to Ronald Joseph Arculli for services rendered, 1,672 ordinary shares of US$0.01 to each of Suwimon Thangnisaitrong, Krit Chitranapawong and Apriak Chitranondh for exercise of RSUs, 4,507 ordinary shares of US$0.01 to Craig Alan Merdian for exercise of RSUs, 22,957 ordinary shares of US$0.01 to Jon Paul Nielsen for exercise of RSUs, and 3,616 ordinary shares of US$0.01 to Poramasiri Manolamai for exercise of RSUs.

On 8 June 2021, FGL allotted and issued 1,672 ordinary shares of US$0.01 to each of Paul Andrew Carrett and Lau Soon Liang for exercise of RSUs.

On 21 June 2022, FGL allotted and issued 31,250 ordinary shares of US$0.01 to Ronald Joseph Arculli for services rendered, 11,372 ordinary shares of US$0.01 to Craig Alan Merdian for exercise of RSUs, 2,000 ordinary shares of US$0.01 to Krit Chitranapawong for exercise of RSUs, 827 ordinary shares of US$0.01 to Peter Karl Grimes for exercise of RSUs, 3,339 ordinary shares of US$0.01 to Poramasiri Manolamai for exercise of RSUs, 2,000 ordinary shares of US$0.01 to Apirak Chitranondh for exercise of RSUs, 516 ordinary shares of US$0.01 to David John Korunic for exercise of RSUs, 53,798 ordinary shares of US$0.01 to Jon Paul Nielsen for exercise of RSUs, 12,393 ordinary shares of US$0.01 to Shelyne Ailing for exercise of options, 11,508 ordinary shares of US$0.01 to Peter Karl Grimes for exercise of options, 13,513 ordinary shares of US$0.01 to Anantharaman Sridharan for exercise of options, 16,947 ordinary shares of US$0.01 to Binayak Dutta for exercise of options, 6,393 ordinary shares of US$0.01 to Lo Kwok Chung Raymond for exercise of options, 3,672 ordinary shares of US$0.01 to each of Tsuyoshi Ichihara and Ryuji Kaneda for exercise of options, 5,508 ordinary shares of US$0.01 to Wong Kwan Kit for exercise of options, 750 ordinary shares of US$0.01 to Zhuang Li Hao for exercise of options, 1,500 ordinary shares of US$0.01 to each of Law Yim Ling, Chow Hun Chi Julie, Nicolas Rodriguez, Law Lai Yee Cecilia, Tse Chun Kwok and Takahiro Ogasawara for exercise of options, 3,649 ordinary shares of US$0.01 to Huynh Huu Khang for exercise of options and 73,127 ordinary shares of US$0.01 to Lau Chi Kin for exercise of options.

On 17 November 2020, FWD Life (Bermuda) allotted and issued 53,444 Class M Preference Shares of US$1,000.00 to FL for a consideration of USD53,444,000.

On 8 February 2021, FWD Life (Bermuda) allotted and issued 77,882 Class N Preference Shares of US$1,000.00 to FL for a consideration of US$77,882,000.

On 9 April 2021, FWD Life (Bermuda) allotted and issued 50,000,000 ordinary shares of US$1.00 to FWD Management Holdings for a consideration of US$50,000,000.

On 1 June 2021, FWD Life (Bermuda) allotted and issued 33,728,240 ordinary shares of US$1.00 to FWD Management Holdings for a consideration of US$33,728,240.

On 21 January 2022, FWD Life (Bermuda) allotted and issued 70,116,300 ordinary shares of US$1.00 to FWD Management Holdings for a consideration of US$70,116,300.

On 8 February 2022, FWD Life (Bermuda) allotted and issued 26,651,100 ordinary shares of US$1.00 to FWD Management Holdings for a consideration of US$26,651,100.

On 29 March 2022, FWD Life (Bermuda) allotted and issued 50,000,000 ordinary shares of US$1.00 to FWD Management Holdings for a consideration of US$50,000,000.

On 8 April 2022, FWD Life (Bermuda) allotted and issued 40,000,000 ordinary shares of US$1.00 to FWD Management Holdings for a consideration of US$40,000,000.

On 24 June 2022, FWD Life (Bermuda) allotted and issued 709,926,000 ordinary shares of US$1.00 to FWD Management Holdings for a consideration of US$709,926,000.

On 24 June 2022, FWD Life (Bermuda) redeemed and cancelled 36,000 Class D Preference Shares of US$1,000.00, 12,500 Class E Preference Shares of US$1,000.00, 11,200 Class F Preference Shares of US$1,000.00, 16,400 Class G Preference Shares of US$1,000.00, 35,400 Class H Preference Shares of US$1,000.00, 37,100 Class I Preference Shares of US$1,000.00, 130,000 Class J Preference Shares of US$1,000.00, 100,000 Class K Preference Shares of US$1,000.00, 200,000 Class L Preference Shares of US$1,000.00, 53,444 Class M Preference Shares of US$1,000.00, 77,882 Class N Preference Shares of US$1,000, all held by FL, for an aggregate consideration of US$709,926,000.

On 22 April 2021, FWD Life Assurance Company (Hong Kong) Limited reduced its issued share capital by HK$390,000,000. The aforesaid amount of HK$390,000,000 was returned as the paid-up capital in cash to FWD Management Holdings.

On 21 March 2022, FWD Life (Hong Kong) Limited reduced its issued share capital by HK$390,000,000. The aforesaid amount of HK$390,000,000 was returned as the paid-up capital in cash to FWD Management Holdings.

On 1 October 2020, FWD Thailand allotted and issued 1,472,511,205 ordinary shares of THB10 to FWD Group Financial Services for a consideration of THB14,725,112,050.

On 1 October 2020, FWD Thailand allotted and issued 1,530,740,076 ordinary shares of THB10 to Siam PCG Co., Ltd. for a consideration of THB15,307,400,760.

On 1 October 2020, FWD Thailand allotted and issued 3,108,890 ordinary shares of THB10 to the remaining Minority Shareholders for a total consideration of THB31,088,900.

On 16 December 2020, Siam PCG Co. Ltd acquired 1,815,826 ordinary shares of THB10 via public auction as transferred from a Minority Shareholder for a consideration of THB85,000,000.

On 8 December 2021, a transfer of 95 ordinary shares of THB10 in FWD Thailand from certain external shareholders to Siam PCG Co., Ltd. for a total consideration of THB950.

On 25 July 2022, a transfer of 101,293 ordinary shares of THB46.4536 in FWD Thailand from an external shareholder to Siam PCG Co., Ltd. for a total consideration of THB4,705,424.50.

On 15 September 2020, FWD Management Holdings allotted and issued 50,000 ordinary shares of NPV to FWD Financial Services for a consideration of US$5,000,000.

On 12 November 2020, FWD Management Holdings allotted and issued 20,000 ordinary shares of NPV to FWD Financial Services for a consideration of US$2,000,000.

On 14 July 2021, FWD Management Holdings allotted and issued 80,000 ordinary shares of NPV to FWD Financial Services for a consideration of US$8,000,000.

On 10 August 2021, FWD Management Holdings allotted and issued 30,000 ordinary shares of NPV to FWD Financial Services for a consideration of US$3,000,000.

On 7 September 2021, FWD Management Holdings allotted and issued 120,949 ordinary shares of NPV to FWD Financial Services for a consideration of US$12,094,900.

On 13 October 2021, FWD Management Holdings allotted and issued 2,710,123 ordinary shares of NPV to FWD Financial Services for a consideration of US$271,012,300.

On 21 January 2022, FWD Management Holdings allotted and issued 701,163 ordinary shares of NPV to FWD Financial Services for a consideration of US$70,116,300.

On 8 February 2022, FWD Management Holdings allotted and issued 266,511 ordinary shares of NPV to FWD Financial Services for a consideration of US$26,651,100.

On 2 March 2022, FWD Management Holdings allotted and issued 535,914 ordinary shares of NPV to FWD Financial Services for a consideration of US$53,591,400.

On 24 March 2022, FWD Management Holdings allotted and issued 89,510 ordinary shares of NPV to FWD Financial Services for a consideration of US$8,951,000.

On 24 June 2022, FWD Management Holdings allotted and issued 7,099,260 ordinary shares of NPV to FWD Financial Services for a consideration of US$709,926,000.

On 30 June 2022, FWD Management Holdings allotted and issued 10,000 ordinary shares of NPV to FWD Financial Services for a consideration of US$1,000,000.

On 6 July 2022, FWD Management Holdings allotted and issued 13,000 ordinary shares of NPV to FWD Financial Services for a consideration of US$1,300,000.

On 4 August 2022, FWD Management Holdings allotted and issued 25,000 ordinary shares of NPV to FWD Financial Services for a consideration of US$2,500,000.

On 2 June 2021, FWD Takaful allotted and issued 1,395 preference shares of NPV to FWD Life (Bermuda) for a consideration of RM139,500,000.

On 10 February 2022, FWD Takaful allotted and issued 1,115 preference shares of NPV to FWD Life (Bermuda) for a consideration of RM111,500,000.

On 8 December 2020, FWD Vietnam increased its registered share capital from VND13,937,245,000,000 to VND15,174,245,000,000.

On 5 March 2021, FWD Vietnam increased its registered share capital from VND15,174,245,000,000 to VND16,961,000,000,000.

On 15 February 2022, FWD Vietnam increased its registered share capital from VND16,961,000,000,000 to VND18,546,000,000,000.

On 22 September 2020, Lee King Chi Arthur transferred 1 ordinary share of NPV in FWD Philippines to Adrian O' Connor for a consideration of PH1.00.

On 25 March 2022, Vicente B. Castillo transferred 1 ordinary share of NPV in FWD Philippines to Antonio Manuel G De Rosas for a consideration of PHP1.00.

On 3 June 2022, FWD Group Financial Services transferred 1 ordinary share of NPV in FWD Philippines to Lau Chi Kin for a consideration of PHP1.00.

On 15 December 2020, FWD Singapore allotted and issued 13,000,000 ordinary shares of NPV to FWD Group Financial Services for a consideration of SGD13,000,000.

On 26 March 2021, FWD Singapore allotted and issued 13,500,000 ordinary shares of NPV to FWD Group Financial Services for a consideration of SGD13,500,000.

On 9 July 2021, FWD Singapore allotted and issued 13,500,000 ordinary shares of NPV to FWD Group Financial Services for a consideration of SGD13,500,000.

On 23 March 2022, FWD Singapore allotted and issued 11,000,000 ordinary shares of NPV to FWD Group Financial Services for a consideration of SGD11,000,000.

On 16 June 2022, FWD Singapore allotted and issued 21,000,000 ordinary shares of NPV to FWD Group Financial Services for a consideration of SGD21,000,000.

On 26 October 2020, PT FWD Asset Management allotted and issued 15,000 series B shares of IDR1,000,000 to PT FWD Insurance Indonesia for a consideration of IDR15,000,000,000.

On 22 February 2021, PT FWD Asset Management registered the transfer of 64 series A shares of IDR1,000,000 held by FWD Indonesia (Dissolved 01/12/2020) to PT FWD Insurance Indonesia for a consideration of IDR64,000,000. This transfer occurred due to the merger of FWD Indonesia and PT FWD Insurance Indonesia on 1 December 2020. There is no payment made for this share transfer.

On 26 April 2021, PT FWD Asset Management allotted and issued 10,000 series B shares of IDR1,000,000 to PT FWD Insurance Indonesia for a consideration of IDR10,000,000,000.

On 11 June 2021, PT FWD Asset Management allotted and issued 1 series A share of IDR1,000,000 to PT Rich Management Consulting for a consideration of IDR1,000,000.

On 25 November 2021, PT FWD Asset Management allotted and issued 15,000 series B shares of IDR1,000,000 to PT FWD Insurance Indonesia for a consideration of IDR15,000,000,000.

On 1 December 2020, PT FWD Insurance Indonesia cancelled 150,000 ordinary shares of IDR1,000,000 held by PT FWD Life for a consideration of IDR150,000,000,000 and issued 6,415,848 ordinary shares of IDR1,000,000 to FWD Group Financial Services for a consideration of IDR6,415,848,000,000., 1,700,222 ordinary shares of IDR1,000,000 to PT. Surya Elok Kencana for a consideration of IDR1,700,222,000,000. and 1 ordinary share of IDR1,000,000 to Mr. Rahendrawan for a consideration of IDR1,000,000.

On 22 December 2020, Valdimir allotted and issued 308,000 ordinary shares of NPV to FGL for a consideration of US$30,800,000.

On 29 December 2021, Valdimir allotted and issued 159,300 ordinary shares of NPV to FGL for a consideration of US$15,930,000.

Save as set out above and in "*Appendix I – Accountants' Report,*" there has been no alteration in the share capital of the subsidiaries of our Company within two years immediately preceding the date of this document.

So far as is known to any Director or chief executive of our Company as at the Latest Practicable Date, immediately following the completion of the [**REDACTED**], the following persons (other than any Director or chief executive) are directly or indirectly interested in 10% or more of the issued voting shares of the following subsidiaries of the Company:

Name of Subsidiary	Name of Shareholder	Number of shares held or interested in	Approximate Percentage (%)
PT FWD Insurance Indonesia(1)	PT. Surya Elok Kencana	1,700,222	20.95%
FWD Takaful	Jab Capital Berhad(2)	620,000	31.00%
	Employees Provident Fund Board(3)	400,000	20.00%
Siam Pacific Corporation Co., Ltd.(4)	Chan, Daisy Ann	428,400	28.00%
	Chai, Na Sylvanta	351,900	23.00%

(1) PT FWD Insurance Indonesia, directly and indirectly, wholly owns PT FWD Asset Management (including through contractual arrangements).

(2) Jab Capital Berhad is directly wholly-owned by Kuok Brothers Sdn Bhd., which in turn is directly owned by PPB Corporate Services Sdn Bhd as to 10% or more. PPB Corporate Services Sdn Bhd is directly wholly-owned by PPB Group Berhad, which is majority owned by Kuok Brothers Sdn Berhad.

(3) Employees Provident Fund Board is a statutory body which is governed by the Employees Provident Fund Act 1991.

(4) Siam Pacific Corporation Co., Ltd. directly owns 51% of the issued share capital of Siam PCG Co., Ltd., which in turn directly wholly owns 50.98% of the issued share capital of FWD Thailand.

5. Repurchase by our Company of its own securities

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the Listing Rules and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any purchase by our Company may be made out of our Company's capital or profits so long as our Company is solvent.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of our share capital in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five (5) preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock

Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this document) if the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**], could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company during the period prior to:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the end of the period within which our Company is required by the Memorandum and Articles of Association or any applicable law to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) the [**REDACTED**];

(b) Subscription Agreement dated 12 January 2022 between our Company and Huatai Growth Focus Limited;

(c) Subscription Agreement dated 11 January 2022 between our Company and ORIX Asia Capital;

(d) the Implementation Agreement;

(e) Amended and Restated Subscription Agreement dated 13 December 2021 between our Company and Athene;

(f) Subscription Agreement dated 13 December 2021 between our Company and SCB;

(g) Subscription Agreement dated 13 December 2021 between our Company and CPP Investments;

(h) Subscription Agreement dated 13 December 2021 between our Company and MPIC;

(i) Subscription Agreement dated 13 December 2021 between our Company and Swiss Re PICA;

(j) Subscription Agreement dated 13 December 2021 between our Company and DGA Capital (Master) Fund;

(k) Subscription Agreement dated 13 December 2021 between our Company and PCGI Holdings;

(l) Share Purchase Agreement dated 13 October 2021 between, among others, FWD Life Bermuda and Tan Viet Securities Joint Stock Company in relation to the disposal of FWD Assurance (Vietnam);

(m) Plan of Merger dated 17 December 2020 between our Company and PCGI; and

(n) Share Purchase Agreement dated 8 December 2020 between FL, FGL and bolttech Holdings in relation to the bolttech Spin-off.

2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

(a) Trademarks

As at the Latest Practicable Date, the "FWD" logo is the primary trademark of the Group, the Group had applied for the registration of or registered the following trademarks which are material to its business:

Trademark	Class	Jurisdiction	Application Number	Registration Number	Filing Date	Grant Date
FWD insurance	36	Hong Kong	305500386	305500386	7 January 2021	7 May 2021
		Indonesia	JID2021009710	IDM000959883	10 February 2021	7 April 2022
		Japan	2021-012523	6487830	3 February 2021	17 December 2021
		Macau	N/179393	N/179393	11 February 2021	21 July 2021
		Philippines	42021503664	4/2021/00503664	15 February 2021	18 June 2021
		Singapore	40202102621S	40202102621S	2 February 2021	26 August 2021
		Vietnam	4-2021-04522	–	2 February 2021	–
		Thailand	210104091	–	2 February 2021	–
		Cambodia	KH/21/96820	KH/86093/21	11 February 2021	10 November 2021
FWD takaful		Malaysia	TM2021002870	TM2021002870	2 February 2021	10 February 2022[1]

Note:

(1) Date of issuance of the certificate of registration.

As part of the Group's ordinary course of operations, from time to time it may enter into bancassurance and other distribution arrangements with chosen partners, including banks and other distributors. There are numerous factors the Group takes into consideration in selecting its partners, including reputation, track record, revenue generation and the value of their brand. As part of these arrangements, such partners may license certain of their trademarks to the Group for use in product brochures and other marketing materials issued by the Group, to the extent permitted by law.

(b) Domain Names

As at the Latest Practicable Date, the following are the primary domain names registered by the Group:

fwd.com.hk

fwd.com.mo

fwd.co.th

fwdlife.co.jp

fwd.co.id

fwd.com.ph

fwd.com.sg

fwd.com.my

fwd.com.vn

fwd.com.kh

fwd.com

C. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Disclosure of Interests

Immediately following the completion of the [**REDACTED**], the interests and/or short positions (as applicable) of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are [**REDACTED**], will be as follows:

(a) Interest in the Shares

Name of Director or Chief Executive	Nature of Interest	Number of Shares	Approximate Percentage
Mr. Li[1]	Beneficial interest in controlled corporations	[**REDACTED**]	[**REDACTED**]%
Mr. Huynh[2]	Beneficial interest	[**REDACTED**]	[**REDACTED**]%
Mr. Arculli[3]	Beneficial interest	[**REDACTED**]	[**REDACTED**]%

1. Mr. Li is deemed to be interested in (a) [**REDACTED**] Shares which are indirectly held by him through PCGI Holdings and (b) 4,783,841 shares in each of FL and FGL respectively, such interests of which shall be converted into [**REDACTED**] Shares in accordance with Phase 2 of the Reorganisation. For further details, please refer to the section headed "*History, Reorganisation and Corporate Structure – Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*". The 4,783,841 shares in each of FL and FGL consist of 1,490,605 Series A CPS and 3,293,236 Series B3 CPS in each of FL and FGL, respectively, which are deemed to be indirectly held by him through Fornax and PCGI Holdings.

2. Mr. Huynh is deemed to be interested in 777,085 shares in each of FL and FGL respectively, such interests of which shall be converted into [**REDACTED**] Shares in accordance with Phase 2 of the Reorganisation. For further details, please refer to the section headed "*History, Reorganisation and Corporate Structure – Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*". The 777,085 shares in each of FL and FGL consist of (i) 727,085 shares directly held by him and (ii) 50,000 shares underlying 50,000 RSUs which have been granted to him by FL and FGL respectively but have not yet vested as at the Latest Practicable Date and will be satisfied with Shares of our Company to the extent they vest after the [**REDACTED**] as disclosed in the section headed "*Appendix V – Statutory and General Information – D. Equity Incentive Plans*".

3. Mr. Arculli is deemed to be interested in 177,750 shares in each of FL and FGL respectively, such interests of which shall be converted into [**REDACTED**] Shares in accordance with Phase 2 of the Reorganisation. For further details, please refer to the section headed "*History, Reorganisation and Corporate Structure – Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*". The 177,750 shares in each of FL and FGL consists of (i) 93,750 shares directly held by him and (ii) 84,000 shares underlying 84,000 RSUs which have been granted to him by FL and FGL respectively but have not yet vested as at the Latest Practicable Date and will be satisfied with Shares of our Company to the extent they vest after the [**REDACTED**] as disclosed in the section headed "*Appendix V – Statutory and General Information – D. Equity Incentive Plans*".

Save as disclosed above, none of the Directors or the chief executive of our Company will, immediately following the completion of the [**REDACTED**], have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares [**REDACTED**].

2. Particulars of Letters of Appointment

Each of the Directors has entered into a letter of appointment with our Company subject to the provision of retirement and rotation of Directors under the Memorandum and Articles of Association.

Pursuant to the terms of the letters of appointment entered into between the Directors (on the one part) and our Company (on the other part), the aggregate annual director's fees payable by our Company to the Directors in respect of their appointments in our Group is approximately HK$30 million.

The director's fees payable by our Company to the relevant Director is subject to increase or reduction as shall be determined or approved by the Board and the Shareholders.

Each of the Directors is entitled to reimbursement from us for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

For details of the Directors' remuneration, see "*Directors and Senior Management – Remuneration of the Directors and Senior Management and Remuneration of Five Highest Paid Individuals*."

4. Agency Fees or Commissions Received

The [**REDACTED**] will receive an [**REDACTED**] commission and the [**REDACTED**] may receive a discretionary incentive fee in connection with the [**REDACTED**], as detailed in "[**REDACTED**] – *Commissions and Expenses.*" Save in connection with the [**REDACTED**] and the issue of Shares pursuant to the [**REDACTED**] Investments, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in "*– Other Information – Qualifications and Consents of Experts*" below) in connection with the issue or sale of any capital or security of our Company or any member of the Group within the two years immediately preceding the date of this document.

5. Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

6. Disclaimers

(a) Save as disclosed in this document, none of the Directors nor any of the experts referred to *in* "*– Other Information – Qualifications and Consents of Experts*" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the [**REDACTED**], none of the Directors nor any of the experts referred to in "*– Other Information – Qualifications and Consents of Experts*" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

(c) Save as disclosed in this document, none of the Controlling Shareholders and the Directors is interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(d) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the [**REDACTED**] or related transactions as mentioned.

(e) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any direct interest in the five largest customers of the Group.

D. EQUITY INCENTIVE PLANS

1. Equity Incentive Plans of the Group

We believe that a business is only as good as its people. Our success is driven by the fact that our employees see themselves as owners and stakeholders of our business. For this reason, we provide our employees with the opportunity to become true owners of our business by acquiring equity interests through our Equity Incentive Plans and therefore aligning their interests with those of the Group.

The Group has three Equity Incentive Plans, namely:

(a) the FWD Share Option and RSU Plan (the "**Share Option and RSU Plan**");

(b) the FWD Share Award Plan (the "**Share Award Plan**"); and

(c) the FWD Employee Share Purchase Plan (the "**Employee Share Purchase Plan**").

The Share Option and RSU Plan was jointly adopted by FL and FGL while the Share Award Plan and the Employee Share Purchase Plan were adopted by our Company.

Share-based awards in the form of RSUs, PSUs and options were granted by the Group before the [**REDACTED**] under the Share Option and RSU Plan [and the Share Award Plan] (the "[**REDACTED**] **Awards**"). The [**REDACTED**] Awards granted under the Share Option and RSU Plan were in respect of FL and FGL shares [and the [**REDACTED**] Awards granted under the Share Award Plan were in respect of Shares].

To the extent the [**REDACTED**] **Awards granted under the Share Option and RSU Plan vest and/or are exercised after the** [**REDACTED**]**, they will be satisfied with Shares.** [**REDACTED**] Awards that are outstanding as of the Latest Practicable Date represent, in aggregate, up to approximately [**REDACTED**] of our issued share capital immediately following the completion of the [**REDACTED**].

Note (1): Some of the [**REDACTED**] Awards were granted under the Share Option and RSU Plan in respect of FL and FGL shares. The maximum number of Shares disclosed here (and the percentage of our issued share capital) underlying the [**REDACTED**] Awards immediately following the completion of the [**REDACTED**] is calculated based on the [**REDACTED**] to show the maximum dilution impact. The final maximum number of Shares to be allotted and issued and/or transferred upon the vesting and/or exercise of the [**REDACTED**] Awards after the [**REDACTED**] will be disclosed in the allotment results announcement.

Details of the [**REDACTED**] Awards granted in the form of RSUs and PSUs that are outstanding as of the Latest Practicable Date are set out below[1]:

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Connected Persons					
Directors of the Company					
Ronald Arculli	01/04/2022	31/12/2022	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2023	31/12/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2024	31/12/2024	[REDACTED]	[REDACTED]	[REDACTED]
Huynh Thanh Phong[2]	01/01/2019	31/12/2022	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total 8 directors of the Company	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]
Directors and chief executives of the Company's subsidiaries[3]					
Person 1	01/04/2020	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2021	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2021	01/04/2024	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
Person 2	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Person 3	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 4	01/04/2020	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2023, 01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 5	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 6	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 7	01/09/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 8	01/07/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Person 9	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 10	01/07/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 11	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 12	01/04/2020	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
Person 13	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 14	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 15	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 16	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total 16 subsidiary directors and chief executives of our Company's subsidiaries(3)	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Non-connected Persons					
Directors and chief executives of the Company's insignificant subsidiaries only					
Person 1	01/04/2020	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2023, 01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 2	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 3	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 4	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 5	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Person 6	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 7	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 8	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 9	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 10	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 11	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Person 12	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
Person 13	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
Person 14	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
Person 15	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
Person 16	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 17	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
Person 18	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
Person 19	01/07/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Person 20	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
Person 21	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 22	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
Person 23	01/04/2020	01/04/2023	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
Person 24	01/09/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
Person 25	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 26	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 27	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Vesting Date(s)	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs as of the Latest Practicable Date	Number of Shares underlying the outstanding awards granted in the form of RSUs and PSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Person 28	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 29	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 30	01/04/2021	01/04/2024 & 01/04/2025	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	01/04/2024, 01/04/2025 & 01/04/2026	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 31	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Person 32	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total 32 subsidiary directors and chief executives of our Company's insignificant subsidiaries only	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]
2 senior management of the Group(4)	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]
approximately 6300 other employees of the Group(5)	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]
3 other employees of associated companies(6)	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]
8 other employees of the PCG Group(7)	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OF ALL GRANTS OF RSUS and PSUs	**NA**	**NA**	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

Note (1): Some of the RSUs and PSUs disclosed in this table were granted under the Share Option and RSU Plan in respect of FL and FGL shares and others were granted under the Share Award Plan over Shares. This table sets out, among other things, the relevant number of Shares underlying the outstanding RSUs and PSUs and the approximate percentage of shareholding of each grantee immediately following the completion of the [**REDACTED**] calculated based on the [**REDACTED**] to show the maximum dilution impact. The final maximum number of Shares to be allotted and issued and/or transferred upon the vesting and/or exercise of the [**REDACTED**] Awards after the [**REDACTED**] will be disclosed in the allotment results announcement.

Note (2): Vesting is subject to the satisfaction of certain performance conditions.

Note (3): Excluding directors and chief executives of the Company's insignificant subsidiaries only.

Note (4): [**REDACTED**]

Note (5): [**REDACTED**]

Note (6): [**REDACTED**]

Note (7): [**REDACTED**]

Details of the [**REDACTED**] Awards granted in the form of options that are outstanding as of the Latest Practicable Date are set out below[1]:

Grantee	Date of Grant	Number of Shares underlying the outstanding options as of the Latest Practicable Date[2]	Number of Shares underlying the outstanding awards granted in the form of options and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
<u>Connected Persons</u>				
Directors of the Company	**NA**	**NA**	**NA**	**NA**
Directors and chief executives of the Company's subsidiaries[3]				
Person 1	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	01/04/2022	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 2	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	01/04/2022	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 3[4]	29/3/2018	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 4	01/09/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	01/04/2022	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 5	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	01/04/2022	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 6	01/01/2017	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	01/01/2018	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	01/04/2019	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 7	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Sub-total 7 subsidiary directors and chief executives of the Company's subsidiaries[3]	**NA**	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Number of Shares underlying the outstanding options as of the Latest Practicable Date[(2)]	Number of Shares underlying the outstanding awards granted in the form of options and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
<u>Non-connected Persons</u>				
Directors and chief executives of the Company's insignificant subsidiaries only				
Person 1	01/09/2020	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	[REDACTED]	[REDACTED]	[REDACTED]
Person 2	01/01/2018	[REDACTED]	[REDACTED]	[REDACTED]
Person 3	01/04/2019	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	[REDACTED]	[REDACTED]	[REDACTED]
Person 4	01/04/2019	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 5	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	[REDACTED]	[REDACTED]	[REDACTED]
Person 6	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 7	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 8	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 9	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 10	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total 10 subsidiary directors and chief executives of the Company's insignificant subsidiaries only	**NA**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Senior Management of the Group				
Person 1	01/04/2019	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	[REDACTED]	[REDACTED]	[REDACTED]
Person 2	01/09/2020	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2022	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total 2 senior management of the Group	**NA**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other Employees of the Group				
Person 1	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 2	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 3	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 4	01/04/2019	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 5	01/04/2019	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 6	01/01/2018	[REDACTED]	[REDACTED]	[REDACTED]
Person 7	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]
Person 8	01/04/2019	[REDACTED]	[REDACTED]	[REDACTED]
	01/04/2020	[REDACTED]	[REDACTED]	[REDACTED]

Grantee	Date of Grant	Number of Shares underlying the outstanding options as of the Latest Practicable Date(2)	Number of Shares underlying the outstanding awards granted in the form of options and approximate percentage of shareholding immediately following the completion of the [REDACTED]	
Person 9	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 10	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 11	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 12	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Person 13	01/04/2020	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Sub-total 13 other employees of the Group	**NA**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
TOTAL OF ALL GRANTS OF OPTIONS(5)	**NA**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

Note (1): The options disclosed in this table were granted under the Share Option and RSU Plan in respect of FL and FGL shares. This table sets out, among other things, the relevant number of Shares underlying the outstanding options and the approximate percentage of shareholding of each grantee immediately following the completion of the [**REDACTED**] calculated based on the [**REDACTED**] to show the maximum dilution impact. The final maximum number of Shares to be allotted and issued and/or transferred upon the vesting and/or exercise of the [**REDACTED**] Awards after the [**REDACTED**] will be disclosed in the allotment results announcement.

Note (2): No consideration was paid for the grant of the options. Exercise period for all the option grants is 10 years after the relevant vesting dates. Exercise price is US$0.01 for each FL share and US$0.01 for each FGL share. Except for the options granted in 2022 that will vest immediately upon or 1 year after the grant date, the options vest 3 years after the relevant grant date.

Note (3): Excluding directors and chief executives of the Company's insignificant subsidiaries only.

Note (4): A portion of the options granted to Person 3 vest in each year from 2018 to 2024.

Note (5): As these outstanding options granted under the [**REDACTED**] Awards will be satisfied upon their exercise by the Shares that are allotted and issued to the trustee of the Equity Incentive Plans pursuant to the [**REDACTED**], there would not be any dilution effect on our Shareholders or any material impact on the earnings per Share upon such vesting and exercise.

Save as disclosed above, no other grants have been made to connected persons of the Company.

2. The Share Option and RSU Plan

The following is a summary of the principal terms of the Share Option and RSU Plan. The Share Option and RSU Plan was jointly adopted by the boards of directors of FL and FGL on 28 November 2017 and was subsequently amended on 5 December 2018 and 30 January 2022.

Awards granted under the Share Option and RSU Plan are in respect of "stapled share units". Each "stapled share unit" comprises one ordinary share of FL and one ordinary share of FGL. The terms of the Share Option and RSU Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Share Option and RSU Plan does not involve the grant of options by our Company to subscribe for new Shares and in any event, the Group does not intend to make any further grants of awards under the Share Option and RSU Plan after the [**REDACTED**].

The [REDACTED] Awards granted under the Share Option and RSU Plan that have yet to vest will not be accelerated upon the [REDACTED] and will continue to vest in accordance with the vesting schedule as set out in the respective letters of grant. To the extent that the [REDACTED] Awards (1) vest and/or are exercised prior to the [REDACTED] and are satisfied with FL shares and FGL shares, such FL shares and FGL shares will be converted into Shares in accordance with Phase 2 of the Reorganisation; or (2) vest and/or are exercised after the [REDACTED], such awards will be satisfied with Shares (rather than FL shares and FGL shares).

The Board approved the assumption of the outstanding awards by our Company on 16 August 2021 and 23 June 2022. A notice will be delivered in due course in accordance with the terms of the Share Option and RSU Plan (please see *section l – exit event*) to inform the award holders of the treatment of their outstanding awards.

(a) Purpose

The purpose of the Share Option and RSU Plan is to provide the Group with a flexible means to retain, incentivise, reward, remunerate, compensate and/or provide benefits to its "eligible employees", which include any employee, consultant or director holding salaried office or employment with:

(i) FL, FGL and their subsidiaries ("**FWD Combined Group**");

(ii) an entity over which FL or FGL or the FWD Combined Group has significant influence. Significant influence means the power to participate in the financial and operating policy decisions of the entity without the power to control or jointly control those policies. If a member of the FWD Combined Group holds, directly or indirectly, 20% or more of the voting power of the entity, it is presumed that such member of the FWD Combined Group has significant influence over the entity, unless this is proven otherwise. A substantial or majority ownership by another investor in the entity does not preclude a member of the FWD Combined Group from having significant influence over the entity; or

(iii) Mr. Li and all entities and persons that are subject to the Control (as defined below) of Mr. Li (other than the FWD Combined Group).

"Control" in relation to a body corporate or other person means the ability of a person to ensure that the activities and business of that body corporate or other person are conducted in accordance with the wishes of that person and a person shall be deemed to have Control of a body corporate if that person possesses or is entitled to acquire (directly or indirectly) the majority of the issued share capital or the voting rights in that body corporate or the right to receive the majority of the income of that body corporate on any distribution by it of all of its income or the majority of its assets on a winding up, and the term "controlled by" shall be construed accordingly.

(b) Participants

The board of directors of each of FL and FGL may, at its discretion, grant awards of RSUs or options pursuant to the Share Option and RSU Plan to any eligible employees who the relevant board of directors considers, in its absolute discretion, have contributed or will contribute to the Group.

(c) Term

The Share Option and RSU Plan will terminate at such time as may be determined by the boards of directors of FL and FGL (excluding any authorised committees save as otherwise directed, authorised or approved by the boards of directors of FL and FGL) for any reason. After the termination of the Share Option and RSU Plan, its terms shall remain in full force and effect in respect of RSUs and options which have been awarded and which remain unvested or unexercised immediately prior to the termination.

(d) Appointment of a Trustee

The boards of directors of FL and FGL may appoint a trustee to assist with the administration and vesting of awards granted pursuant to the Share Option and RSU Plan. The boards of directors of FL and FGL may to the extent permitted by applicable law: (a) allot, issue or transfer FL and FGL shares to the trustee to be held by the trustee pending the vesting or exercise of awards (as applicable) granted under the Share Option and RSU Plan and which will be used to satisfy the awards upon vesting or exercise (as applicable); and/or (b) direct and procure the trustee to make on-market purchases of FL and FGL shares to satisfy the awards upon vesting or exercise (as applicable). The boards of directors of FL and FGL shall to the extent permitted by applicable law provide sufficient funds to the trustee by whatever means as they may in their absolute discretion determine to enable the trustee to satisfy its obligations in connection with the administration and operation of the Share Option and RSU Plan including in relation to the delivery of FL and FGL shares.

(e) Awards

(i) Grant of an award

An award of RSUs or options will be made to a participant by a letter of grant requiring the participant to undertake to hold the award on the terms on which it is to be granted (which will include the vesting date(s) and conditions that must be satisfied before an award will vest in whole or in part) and to be bound by the terms of (1) the Share Option and RSU Plan and the (2) confidentiality or intellectual property undertaking to be entered into by award holders in the form set out in the rules for the Share Option and RSU Plan ("**Confidentiality/Intellectual Property Undertaking**") and (3) the agreement entered into between PCGI Limited, our Company, Swiss Re Investments, Swiss Re Ltd, FL and FGL dated 11 June 2018 (as amended from time to time) which contains, among other things, additional covenants that apply to award holders and holders of any FL and FGL shares pursuant to the Share Option and RSU Plan ("**FWD Share Award Agreement**").

(ii) Acceptance of an award

An award is accepted by the participant when he executes and returns a duplicate copy of the letter of grant, a copy of the Confidentiality/Intellectual Property Undertaking and the award party deed of adherence by which the participant undertakes to be bound by and comply with the terms of FWD Share Award Agreement, before the expiry of the period specified in the letter of grant. A participant who fails to execute and return the documents set out above before the expiry of the acceptance period will be deemed to have refused the award.

(f) Maximum number of shares available

At any time during the term of the Share Option and RSU Plan, the maximum aggregate number of FL and FGL shares with respect to which RSUs or options may be granted pursuant to the Share Option and RSU Plan is 2,000,000 FL shares and 2,000,000 FGL shares (subject to adjustment according to the below paragraph) (the "**Share Option and RSU Plan Mandate Limit**"). The Share Option and RSU Plan Mandate Limit may from time to time be "refreshed" by the boards of directors of FL and FGL (excluding any authorised committees save as otherwise directed, authorised or approved by the boards of directors of FL and FGL) for such number of FL and FGL shares as the boards of directors of FL and FGL consider appropriate and from time to time.

In the event of a consolidation or sub-division of shares in each of FL and FGL whilst any award remains outstanding, the boards of directors of FL and FGL (excluding any authorised committees save as otherwise directed, authorised or approved by the boards of directors of FL and FGL) will make corresponding adjustments (as necessary) ("**Share Option and RSU Plan Adjustment**") to:

(a) in respect of options, the subscription price for each outstanding option; and/or

(b) the Share Option and RSU Plan Mandate Limit; and/or

(c) the number of FL shares and/or FGL shares relating to the outstanding awards,

on the basis that in respect of options, the subscription price shall be no less than the nominal value of each FL and FGL share subject to the option and that each award holder upon the vesting or exercise of the award (as applicable) and the delivery of the FL and FGL shares will have the same proportion of the issued share capital of each of FL and FGL to which he would have been entitled if the FL and FGL shares were delivered to him immediately prior to the event leading to the Share Option and RSU Plan Adjustment.

In the event of any alteration in the capital structure of each of FL and FGL (other than by way of consolidation or sub-division of shares in each of FL and FGL), whether by way of capitalisation of profits or reserves, rights issue or reduction of share capital of each of FL and FGL (other than an issue of shares as consideration in respect of a transaction), the boards of directors of FL and FGL may (but are not obliged to) make such Share Option and RSU Plan Adjustment in such manner as the boards of directors of FL and FGL in their absolute discretion consider to be fair and reasonable. If the boards of directors of FL and FGL determine that a Share Option and RSU Plan Adjustment should be made as a result of one or more events or circumstances (other than an alteration in the capital structure of each of FL and FGL), which may include any distribution or other corporate transaction made or entered into by FL and FGL (or any of them), the boards of directors of FL and FGL may (but are not obliged to) make such Share Option and RSU Plan Adjustment in such manner as they in their absolute discretion consider to be fair and reasonable.

A Share Option and RSU Plan Adjustment will be deemed to have taken effect on the date of completion of the relevant corporate event leading to the Share Option and RSU Plan Adjustment (or such other date as considered more appropriate by the boards of directors of FL and FGL). No Share Option and RSU Plan Adjustment shall be made the effect of which would be to enable any FL and FGL share to be issued at less than its nominal value. Any Share Option and RSU Plan Adjustment determined by the boards of directors of FL and FGL shall be final, conclusive and binding against all award holders.

The boards of directors of FL and FGL will within 20 business days after the effective date of a Share Option and RSU Plan Adjustment inform each relevant award holder of the Share Option and RSU Plan Adjustment.

(g) Vesting of awards

An award (or the relevant part thereof) will vest on the date or dates specified in the letter of grant.

An award (or the relevant part thereof) will not vest unless and until all applicable conditions to which it is subject have been satisfied (subject to the determination of the number of FL and FGL shares, if any, to be delivered to the award holder in accordance with the satisfaction of any performance target as provided in the letter of grant, if applicable, and in respect of an option, pursuant to the exercise of the option). An award may vest in full or in part, or an award may not vest, according to the terms and conditions of the letter of grant.

Within 9 months following the vesting date, the boards of directors of FL and FGL shall provide a notice to the award holder confirming the number of FL and FGL shares (if any) that has vested to the award holder pursuant to and in accordance with the terms and conditions of the letter of grant and the terms of the Share Option and RSU Plan.

(h) Lapse of awards

An award will automatically lapse on the earlier of:

(a) the failure to satisfy the vesting conditions pursuant to the above;

(b) the failure of the award holder to provide signed cop(ies) of the undated instruments(s) of transfer;

(c) the expiry of the award period; and

(d) (whether the award has vested or is unvested) the award holder failing to obtain all necessary consents or file all necessary registrations within 20 business days after the date of any notice by the boards of directors of FL and FGL to the award holder requesting proof that such consents and registrations have been obtained or made.

If the award holder who on the date of the letter of grant was an eligible employee ceases to be an eligible employee before the vesting date due to death, ill health, serious injury or disability or retirement, his unvested award will lapse in its entirety on the date that he ceases to be an eligible employee, unless otherwise agreed by the boards of directors of FL and FGL (excluding any authorised committees save as otherwise directed, authorised or approved by the boards of directors of FL and FGL). A resolution of the board of directors of FL and FGL granting the relevant award or the respective resolutions of the boards of directors of FL and FGL or the board of directors of the relevant member of the FWD Combined Group to the effect that a person ceases to be an eligible employee will be conclusive and binding on the person.

If the award holder who on the date of the letter of grant was an eligible employee ceases to be an eligible employee before the vesting date for any reason other than those specified above (for the avoidance of doubt, including, but not limited to, redundancy, resignation, his employer ceasing to be a member of the FWD Combined Group, misconduct and any other circumstances), his unvested award will lapse in its entirety on the date that he ceases to be an eligible employee.

If an effective shareholders' resolution is passed for the voluntary winding-up of FL or FGL, all unvested awards will immediately and automatically lapse.

(i) Rights of award holders

An award holder cannot vote or receive dividends and does not have any right of a shareholder in respect of the FL and FGL shares which are subject to an award until such shares are allotted and issued to the award holder and the award holder has been registered in the register of members of FL or FGL in respect of such shares.

(j) Transferability of awards

Save with the prior written consent of the boards of directors of FL and FGL, an award holder cannot sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or otherwise dispose of any of his awards or purport to do any of the foregoing. If an award holder does, whether voluntarily or involuntarily, any of the foregoing without the prior written consent of the boards of directors of FL and FGL, the award will immediately and automatically lapse.

(k) Rights attached to the shares

FL or FGL shares issued upon the delivery of an award will be subject to all the provisions of the articles of association of FL or FGL, as the case may be, and will rank equally in all respects with the fully paid FL or FGL shares, as the case may be, in issue on the date of registration of the award holder in the register of members of FL or FGL, as the case may be, as the holder of the FL or FGL shares. FL or FGL shares will not carry any voting right or right to receive any dividends until the registration of the award holder in the register of members of FL or FGL as the holder of the FL or FGL share.

(I) Exit event

Notwithstanding any provision to the contrary in the Share Option and RSU Plan, if the boards of directors of FL or FGL (or, if the relevant event is related to FL or FGL only, the board of directors of FL or FGL to which the relevant event is related) determine by way of a resolution that it is contemplated or expected that:

(a) any of the following events will be consummated (or, if earlier, a definitive agreement setting out the terms and conditions in relation to the event will be entered into by the relevant parties) within a period of 6 months following the date of such determination by the boards of directors of FL and FGL:

(i) an arm's length direct or indirect sale of all or substantially all of the business or assets of FL and/or FGL or an affiliate of FL or FGL, as the case may be, established for the purpose of implementing a sale;

(ii) disposal by Mr. Li or any entity, person or body corporate subject to the Control of Mr. Li (other than the FWD Combined Group) of any FL or FGL shares to any independent third party (acting as principal for its own account) where such disposal is in respect of at least 50% of the total number of shares in FL or FGL (or each of FL and FGL) or an affiliate of FL or FGL, as the case may be, established for the purpose of implementing a disposal, held by Mr. Li or any entity, person or body corporate subject to the Control of Mr. Li (other than the FWD Combined Group) immediately prior to such disposal;

(iii) the initial [**REDACTED**] and [**REDACTED**] of any equity securities (including securities that are convertible into equity securities) in FL or FGL (or each of them) or an affiliate of FL or FGL, as the case may be, established for the purpose of implementing an initial [**REDACTED**], on a recognised [**REDACTED**]; or

(iv) any transaction, event or circumstance resulting in a change of Control in relation to FL or FGL (or each of them) or an affiliate of FL or FGL, as the case may be, established for the purpose of implementing a transaction, event or circumstance resulting in a change of Control, or

(b) where the proposed event is an initial [**REDACTED**], an application for [**REDACTED**] in relation to a proposed initial [**REDACTED**] will be submitted to the recognised [**REDACTED**] within a period of 4 months following the date of such determination by the boards of directors of FL and FGL,

the boards of directors of FL and FGL may (but are not obliged to) upon or at any time after any of the above determinations are made and before the consummation of the relevant event (including an initial [**REDACTED**]), give a notice to each or any of the award holders whereupon any unvested award subject to the notice shall vest in whole or in part or unvest, and/or be exchanged for such number of securities (or an option in respect of such number of securities) in an affiliate of FL or FGL, as the case may be, established for the purpose of implementing an event described in paragraph (a) above, as may be determined by the boards of directors of FL and FGL in their absolute discretion to be fair and reasonable, as the case may be, subject to and in accordance with the terms and conditions set forth in the notice. Resolution(s) of the board(s) of directors of FL and/or FGL determining that any of the above listed triggers has occurred or approving the notice as described above, and the terms and conditions set out in such notice, will be conclusive and binding on the relevant award holder. The powers to determine the above may only be exercised by the relevant board(s) of directors of FL and/or FGL (excluding any authorised committee(s) save as otherwise directed, authorised or approved by the boards of directors of FL and FGL).

(m) Cancellation, substitution and/or exchange of awards

Notwithstanding the provisions set out in *(l) (exit event)* above, the boards of directors of FL and FGL may at any time substitute, exchange and/or cancel any awards (or part thereof) previously granted but which have not yet vested or have only partly vested (or in the case of options, which have not yet been exercised or have only been partly exercised by an option holder) and offer the award holder new awards of an equivalent value in another company including pursuant to different equity incentive plans as may be determined by the boards of directors of FL and FGL in their sole and absolute discretion. For the avoidance of doubt, where FL or FGL cancels awards and offers new awards under the Share Option and RSU Plan to the same award holder, the offer of such new awards may only be made with available awards to the extent not yet granted (excluding the cancelled awards) within the Share Option and RSU Plan Mandate Limit.

(n) Repurchase rights

Any FL and FGL shares issued upon the exercise of or in settlement of an award shall be subject to such rights of repurchase as set forth in the FWD Share Award Agreement or, if there is no such agreement in existence or such provisions do not exist in the FWD Share Award Agreement, such rights of repurchase as the boards of directors of FL and FGL may determine as set forth in a letter of grant.

(o) Amendment to the Share Option and RSU Plan rules and terms of awards

Subject to the relevant requirements of all laws, rules and regulations, the boards of directors of FL and FGL (excluding any authorised committees save as otherwise directed, authorised or approved by the boards of directors of FL and FGL) may change any of the provisions of the Share Option and RSU Plan (other than provisions relating to the Share Option and RSU Plan Mandate Limit) at any time, save for any change of the provision of any letter of grant in respect of any granted award.

No alteration of the Share Option and RSU Plan will operate to affect adversely any right which any award holder has accrued on that date before the effective date of such resolution, save to the extent any such alteration is made to cause the Share Option and RSU Plan to comply with the relevant requirements of all laws, rules and regulations.

Any amendment to the terms of a letter of grant in respect of an award granted may be made with the written consent of the boards of directors of FL and FGL and the award holder, save where the amendments take effect automatically under the terms of the Share Option and RSU Plan or the letters of grant or the FWD Share Award Agreement, or to the extent any such amendment is made to cause the Share Option and RSU Plan and the transactions contemplated thereunder to comply with the relevant requirements of all laws, rules and regulations (in which case the written consent of the award holder is not required), or to the extent any such amendments are made to correct a manifest error, provided that the amendments shall be consistent with the terms of the Share Option and RSU Plan and no amendment shall be made if it would result in the Share Option and RSU Plan Mandate Limit being exceeded.

3. Share Award Plan

The following is a summary of the principal terms of the Share Award Plan. The Share Award Plan was approved and adopted by the Board on 30 January 2022 and amended by the Board on [·] to incorporate the requirements set out in the consultation conclusions published by the Stock Exchange on 29 July 2022 on the Proposed Amendments to the Listing Rules relating to the share schemes of listed issuers. The Share Award Plan operates both before and after the [**REDACTED**]. The terms of the Share Award Plan rules that are expressed to apply prior to the [**REDACTED**] are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the Share Award Plan rules that are expressed to apply after the [**REDACTED**] are subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Award Plan is to:

(i) provide our Company with a flexible means to retain, incentivise, reward, remunerate and/or compensate its eligible persons by granting awards in the form of RSUs, PSUs and/or options; and

(ii) drive the performance and growth of the Group's business by providing such eligible persons with the opportunity to acquire equity interests in our Company.

(b) Participants

The Board may grant awards to eligible persons. Eligible persons for the purpose of the Share Award Plan include:

(i) an employee or director employed or engaged by a member of the Group (including a person who is granted an award as an inducement to enter into an employment contract with a member of the Group);

(ii) an employee or director employed or engaged by (i) a holding company or fellow subsidiary of our Company; or (ii) an entity over which our Company or the Group has significant influence. Significant influence means the power to participate in the financial and operating policy decisions of the entity without the power to control or jointly control those policies. If our Company or the Group holds, directly or indirectly, 20% or more of the voting power of the entity, it is presumed that our Company or the Group has significant influence over the entity, unless this is proven otherwise. A substantial or majority ownership by another investor in the entity does not preclude our Company or the Group from having significant influence over the entity (each a "**Related Entity**");

(iii) (in respect of One-Off Awards (as defined below) only granted prior to the [**REDACTED**]) an employee or director employed or engaged by Mr. Li and all entities or persons subject to the control of Mr. Li (other than the Group and in this context, "control" means in relation to a body corporate or other person the ability of a person to ensure that the activities and business of that body corporate or other person are conducted in accordance with the wishes of that person and a person shall be deemed to have control of a body corporate if that person possesses or is entitled to acquire (directly or indirectly) the majority of the issued share capital or the voting rights in that body corporate or the right to receive the majority of the income of that body corporate on any distribution by it of all of its income or the majority of its assets on a winding up) ("**PCG Group**" and a "**member of the PCG Group**" means any such person or body corporate, and each eligible person in this respect a "**PCG Group Participant**"); or

(iv) an individual consultant, individual independent contractor, or individual self-employed contractor who provides services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (but excluding any non-executive Directors, directors of the Group and any professional service providers who provide assurance or are required to performance their services with impartiality and objectivity) (each a "**Service Provider**"); or (in respect of any of the eligible persons above, a "**Share Award Plan Employer**" means the member of the Group or Related Entity or (in respect of One-Off Awards only) the member of the PCG Group employing or engaging him).

(c) Term

The Share Award Plan will take effect subject to the passing of resolutions by the Board (and the Shareholders, to the extent necessary under applicable law) to approve and adopt the Share Award Plan.

The Share Award Plan will be valid and effective for the period commencing from the adoption of the Share Award Plan and expiring on the tenth (10) anniversary thereof or such earlier date as the Share Award Plan is terminated by our Company or the Board for any reason. After the plan period, our Company cannot grant new awards.

After the Share Award Plan expires or is terminated, for so long as there are unvested or partly vested awards or unexercised options, the Share Award Plan will remain in full force and effect for the purpose of giving effect to the exercise and vesting of such awards (and delivery of the relevant Shares) or otherwise as may be required in accordance with the Share Award Plan.

(d) Appointment of a Trustee

The Board may appoint a professional trustee to assist with the administration of the Share Award Plan. The Board may, to the extent permitted by applicable laws and regulations: (a) allot, issue or transfer Shares to the trustee to be held by the trustee pending vesting and/or the exercise of awards granted under the Share Award Plan and which will be used to satisfy the awards upon vesting and/or exercise; and/or (b) direct and procure the trustee to make on- and off-market purchases of Shares to satisfy the awards upon vesting and/or exercise. The Board shall to the extent permitted by applicable laws and regulations provide sufficient funds to the trustee by whatever means as the Board may in its absolute discretion determine to enable the trustee to satisfy its obligations in connection with the administration and operation of the Share Award Plan, including in relation to the delivery of Shares. The trustee holding Shares in respect of any awards not yet vested and/or exercised shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

(e) Awards

(i) Grant of an award

The Board will grant awards by grant letters. Each grant letter will specify the name of the relevant participant, the date of the grant, the vesting date(s), any condition(s) to vesting (including performance condition(s), if any) to vesting, the number of Shares underlying the award, the acceptance period, the exercise price, the exercise period (in the case of options) and such other terms and conditions to which the award will be subject.

The grant letter will contain provisions requiring the participant to: (1) undertake to hold the award on the terms and conditions on which it is granted pursuant to the grant letter; and (2) agree to be bound by the Share Award Plan.

(ii) Acceptance of an award

An award will be open for acceptance by the participant during the acceptance period set out in the grant letter. Only the participant can accept an award and no other person can accept it on his behalf, unless otherwise agreed by the Board.

If an award is not accepted in the manner prescribed in the Share Award Plan, the entire award will be deemed to have been irrevocably declined and will automatically lapse. In addition, an award subject to acceptance will immediately and automatically lapse if, during the acceptance period, the participant gives or receives notice to terminate his employment or service so as to cease to be an eligible person.

(iii) Grant of One-Off Awards

Notwithstanding any other terms of the Share Award Plan rules, our Company may (but is not obliged to) grant awards of RSUs and/or PSUs to the participants on a one-off basis to motivate and incentivise such individuals to achieve a high valuation of our Company upon the [**REDACTED**] and to reward those who are instrumental to the [**REDACTED**] process (the "**One-Off Awards**"). Grants of One-Off Awards to PCG Participants may only be made prior to the [**REDACTED**].

To the extent that the One-Off Awards are granted prior to the [**REDACTED**], the Board authorises the CEO to grant such awards to such participants (except for Service Providers and himself) without the prior approval of the Board. The CEO is required to obtain the prior approval of the chairman (but not the Board) which may be given on a case-by-case basis for any grant(s) to Service Providers who are participants if such grants are made prior to the [**REDACTED**].

To the extent that any One-Off Awards are granted following the [**REDACTED**], such grants must comply with the Listing Rules. No grant of One-Off Awards may be made under the Share Award Plan after the fourth (4^{th}) anniversary of the date of the [**REDACTED**].

(iv) Timing of grant of awards

After the [**REDACTED**], our Company may not make any award after inside information has come to its knowledge until such time as that information has ceased to constitute inside information. In particular, our Company may not make any award during the period commencing one month immediately preceding the earlier of:

(a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. Where a grant of an award is to a Director or to any participant who, because of his office or employment or other relationship with the Group, is likely to be in possession of unpublished price-sensitive information in relation to the Shares, no award may be granted on any day on which the financial results of our Company are published and during the period of:

(a) sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(v) Grants of awards after the [**REDACTED**]

The provisions below apply to the grants of awards following the [**REDACTED**].

In any twelve (12) month period, the maximum number of New Shares (defined below) issued and/or transferred (and to be issued and/or transferred) upon the vesting and/or exercise of (i) the awards granted pursuant to the Share Award Plan and (ii) the awards granted pursuant to any other share-based incentive plans of our Company (excluding any awards which have lapsed in accordance with the Share Award Plan or awards which have lapsed in accordance with any other share-based incentive plans of our Company) to any participant shall not exceed one (1) % of the Shares in issue for the time being. Where any further grant of awards over New Shares to a participant would result in the breach of this limit, such further grant of awards must be separately approved by Shareholders in general meeting in accordance with the Listing Rules.

Any grant of awards to a Director (including independent non-executive Directors), CEO or substantial Shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed participant).

Where any grant of RSUs and/or PSUs to a Director (other than an independent non-executive Director) or CEO, or any of their respective associates would result in the New Shares issued and/or transferred (and to be issued and/or transferred) in respect of all RSUs and PSUs granted under the Share Award Plan or any other share-based incentive plans of our Company (excluding any RSUs and PSUs lapsed in accordance with the terms of the Share Award Plan or any other share-based incentive plans of our Company) to such person in the twelve (12) month period up to and including the grant date representing in aggregate over 0.1% of the Shares in issue, such further grant of RSUs or PSUs shall be subject to prior approval by the Shareholders in general meeting in accordance with the Listing Rules.

Where any grant of options, RSUs and/or PSUs to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the New Shares issued and/or transferred (and to be issued and/or transferred) in respect of all awards granted under the Share Award Plan or any other share-based incentive plans of our Company (excluding any awards lapsed in accordance with the terms of the Share Award Plan and any other share-based incentive plans of our Company) to such person in the twelve (12) month period up to and including the grant date representing in aggregate over 0.1% of the Shares in issue such further grant must be subject to prior approval by the Shareholders in general meeting in accordance with the Listing Rules.

(f) Source of Shares

For the purpose of delivery to the award holder of Shares pursuant to the vesting and/or exercise of an award, our Company may in its sole and absolute discretion:

(a) allot and issue the relevant number of Shares to the award holder credited as fully paid;

(b) procure the trustee to transfer the relevant number of Shares to the award holder credited as fully paid; or

(c) pay or procure a cash payment to be made to the award holder.

(g) Limits and approvals for awards which may be granted

The compensation committee must approve all awards that may be granted pursuant to the Share Award Plan (except for One-Off Awards granted pursuant to the terms of the Share Award Plan) at any time prior to the [**REDACTED**].

After the [**REDACTED**] and at any time thereafter during the term of the Share Award Plan, the maximum aggregate number of New Shares in respect of which awards may be granted pursuant to the Share Award Plan will be calculated in accordance with the following formula:

X = A – B – C

where:

X = the maximum aggregate number of New Shares in respect of awards that may be granted pursuant to the Share Award Plan;

A = means: (a) ten (10) % of the Shares in issue on the date of [**REDACTED**], or (b) ten (10) % of the Shares in issue as at the New Approval Date (as defined below) (the "**Plan Mandate Limit**") (provided that the total number of Shares in respect of which awards granted to Service Providers shall not exceed three (3) % of the Shares in issue at such relevant date) (the "**Service Provider Sublimit**");

B = the maximum aggregate number of New Shares that may be allotted and issued by our Company and/or transferred by the trustee upon the vesting and/or exercise of the awards already granted pursuant to the Share Award Plan;

C = the maximum aggregate number of New Shares that may be allotted and issued by our Company and/or transferred by the trustee upon the vesting and/or exercise of any awards already granted pursuant to any other share-based incentive plans of our Company.

New Shares in respect of:

(a) awards which have lapsed or which have been satisfied by the making of a cash payment under the Share Award Plan; and

(b) awards which have lapsed or which have been satisfied by the making of a cash payment under any other share plans,

will not be counted for the purposes of determining the maximum aggregate number of New Shares in respect of awards may be granted pursuant to the Share Award Plan.

("**New Shares**" means (i) the new Shares directly allotted and issued by our Company to award holders upon the vesting and/or exercise of an award pursuant to the Share Award Plan; (ii) the new Shares directly allotted and issued by our Company to award holders upon the vesting of an RSU pursuant to the Employee Share Purchase Plan (see below); (iii) the new Shares directly allotted and issued by our Company to award holders upon the vesting and/or exercise of an award granted pursuant to any other share-based incentive plans of our Company and (iv) the new Shares allotted and issued by our Company to the trustee upon the [**REDACTED**], but shall exclude any Shares acquired by the Trustee on- or off-market in accordance with the terms of the Share Award Plan and/or any other share-based incentive plans of our Company.)

The Plan Mandate Limit and the Service Provider sublimit may be renewed (a) every three (3) years subject to prior Shareholders' approval or (b) within a three (3) year period subject to prior Shareholders' approval and with the relevant persons specified in the Listing Rules abstaining from voting on the relevant resolution and in each case, subject to the requirements of the Listing Rules, but in any event, the total number of New Shares in respect of which awards may be granted pursuant to the Share Award Plan and any other share-based incentive plans of our Company following the date of approval of the renewed limit (the "**New Approval Date**") under the renewed limit must not exceed ten (10) % (in respect of the Plan Mandate Limit) or three (3) % (in respect of the Service Provider Sublimit) of the Shares in issue as at the New Approval Date. New Shares in respect of which awards are granted pursuant to the Share Awards Plan and any other share-based incentive plans of our Company (including those outstanding, lapsed, vested or exercised) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of New Shares in respect of which awards may be granted following the New Approval Date under the renewed limit. For the avoidance of doubt, New Shares allotted and issued and/or transferred prior to the New Approval Date pursuant to the vesting or exercise of awards granted pursuant to the Share Award Plan and any other share-based incentive plans of our Company will be counted for the purpose of determining the number of Shares in issue as at the New Approval Date.

Notwithstanding the foregoing, our Company may grant awards over New Shares beyond the Plan Mandate Limit to participants specifically identified by our Company before Shareholders' approval is sought if such separate Shareholders' approval is sought in accordance with the Listing Rules.

(h) Vesting of awards

Subject to the relevant terms and conditions as set out in Share Award Plan rules and the grant letter), the award will vest on the vesting date(s) set out in the grant letter. The Board is not required to apply the same terms and conditions to all awards. The vesting period for Awards over New Shares shall not be less than twelve (12) months, except that the vesting period for an employee or director employed or engaged by a member of the Group may be less than twelve (12) months in specific circumstances determined by (i) the compensation committee, where the arrangements relate to awards over New Shares to the directors and/or senior managers of the Group; or (ii) the Board, where the arrangement relate to awards over New Shares to an employee employed by a member of the Group). These specific circumstances include but are not limited to grants of Awards over New Shares:

(a) to new joiners to replace the share awards they forfeited when leaving the previous employer;

(b) to award holders whose employment is terminated due to death, ill health, serious injury, disability or retirement or upon the occurrence of any out of control event, where the vesting of the award may accelerate based on the discretion of the Board (or the compensation committee, as the case may be);

(c) with performance-based vesting conditions in lieu of time-based vesting criteria;

(d) which could not have been made earlier due to administrative, commercial, compliance, regulatory, legal and/or other reasons and the vesting period will be shortened to put the award holders in the same position as they would have been in had the grant of award been made earlier; and

(e) with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of twelve (12) months.

Unless otherwise provided in the Share Award Plan, an award (or the relevant part thereof) will only vest if all applicable vesting conditions to which it is subject have been satisfied (subject to the determination of the number of Shares, if any, to be delivered to the award holder in accordance with the satisfaction of the relevant vesting conditions as provided in the grant letter). An award may vest in full or in part, or an award may not vest at all, according to the terms and conditions of the grant letter.

No performance targets shall be attached to awards under the Share Award Plan other than awards of PSUs. The performance targets that apply to PSUs granted after the [**REDACTED**] shall comprise financial and non-financial measures, including but not limited to value creation measures (for example, the value of new business, operating profits before tax, new business strain) and other strategic and organisational health measures (for example, feedback on customer experiences).

(i) Lapse of awards

An award will automatically lapse and become null and void on the earlier of:

(a) the failure to satisfy the relevant performance or other conditions;

(b) the expiry of the exercise period (in the case of options); and

(c) (whether the award (or any part of it) has vested or is unvested) the award holder failing to obtain all necessary consents or make all necessary registrations within 20 business days after the date of any notice by the Board to the award holder requesting proof that such consents and registrations have been obtained or made.

Within one (1) month of the relevant vesting date, the Board may provide a vesting determination notice to the award holder confirming the number of RSUs, PSUs or options (if any) that have vested (and may be exercised, in the case of options) pursuant to and in accordance with the terms and conditions of the grant letter and the Share Award Plan rules.

If the award holder gives or receives notice to terminate his employment or service with a Share Award Plan Employer before the relevant vesting date due to ill health, serious injury or disability, or retirement, or ceases to be an eligible person due to death, any unvested portion of the award will continue to vest in accordance with the vesting date(s), unless otherwise determined by the Board. The Board may determine whether any changes will apply to the terms and conditions of any unvested portion of the award, and if so, what those changes are.

If the award holder gives or receives notice to terminate his employment or service with a Share Award Plan Employer before an applicable vesting date for any reason other than those specified above (for the avoidance of doubt, including but not limited to resignation, misconduct, redundancy and any other circumstances), or if the award holder was employed or engaged by a member of the Group at the grant date but transfers to any member of the PCG Group or a Related Entity before the relevant vesting date, any unvested portion of the award will lapse in its entirety on:

(i) the date that the award holder gives or receives notice to terminate his employment or service with a Share Award Plan Employer so as to cease to be an eligible person; or

(ii) the date that the award holder gives or receives notice to transfer his employment or engagement to any member of the PCG Group or to a Related Entity,

(as the case may be), unless otherwise determined by the (i) the CEO, in the case of the One-Off Awards and where the cessation of employment or service of the Award Holder is due to redundancy or (ii) the Board, in all other cases.

Notwithstanding the above, in the case of One-Off Awards, where an award holder is a director of the Group and his appointment as a director is terminated based on mutual agreement with the Group, the Board may determine that any unvested portion of the award will continue to vest on the date(s) specified in the award holder's grant letter.

For the avoidance of doubt, a determination by the Board to the effect that any of the circumstances above has occurred will be conclusive and binding on the person.

(j) Exercise of options

Any award of options (or the relevant part thereof):

(a) which has vested;

(b) in respect of which all conditions (if any) attaching to it have been satisfied; and

(c) which has not lapsed,

may be exercised by the award holder (or as the case may be, his personal representatives(s)) at any time during specified months of a year within the exercise period as set out in the grant letter.

An award of options may be exercised in whole or in part. The award holder (or, as the case may be, his personal representative(s)) must do the following to exercise an award of options:

(a) complete, sign and return to the relevant party (as indicated in the vesting determination notice received from the Board) an exercise notice in such form as required by the Board (as attached to the vesting determination notice), which will state the award being exercised, the number of Shares in respect of which it is exercised and the total Share Award Plan Exercise Price for those Shares; and

(b) pay in full the total Share Award Plan Exercise Price for the relevant Shares on or before the date of the exercise notice (or such other date as the Board may agree) to such bank account as designated by the Board in the vesting determination notice (or in such other manner as prescribed by the Board).

Unless otherwise expressly set out in the Share Award Plan, for the purpose of determining the date on or by which an award is or has been exercised, an award will be deemed to have been exercised when a duly completed exercise notice complying with the requirements of the Share Award Plan have been received by the relevant party (as indicated in the vesting determination notice) and the total Share Award Plan Exercise Price for the relevant Shares has been received in the bank account designated by the Board in cleared funds.

(k) Share Award Plan Exercise Price

In the case of options granted prior to the [**REDACTED**], the exercise price will be determined by the Board in its absolute discretion.

In the case of options granted after the [**REDACTED**], the price per Share at which an award holder may acquire Shares upon the exercise of an award (the "**Share Award Plan Exercise Price**") will be determined by the Board in its absolute discretion but in any event must not be less than the higher of:

(a) the closing price of a Share as stated in the daily quotations sheets issued by the Stock Exchange (the "**Plan Market Value**") on the grant date, which must be a business day; and

(b) the average Plan Market Value for the five (5) business days immediately preceding the grant date, provided that for the purpose of determining the Share Aware Plan Exercise Price where the Shares have been listed on the Stock Exchange for less than five (5) business days, the issue price of the Shares in the [**REDACTED**] shall be used as the Plan Market Value of the Shares for any business day falling within the period before the [**REDACTED**] of the Shares on the Stock Exchange.

(l) Rights of award holders

An award holder cannot vote or receive dividends and does not have any rights of a Shareholder in respect of Shares subject to an award until the Shares are delivered to the award holder.

(m) Transferability of awards

An award will be personal to the award holder and the award holder may not sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or otherwise dispose of any of his award or purport to do any of the foregoing, other than the permitted transfers below. If an award holder does, whether voluntarily or involuntarily, any of the foregoing without the prior written consent of the Board, the award will immediately and automatically lapse.

Where permitted by applicable laws and regulations (including the Listing Rules) and subject to the approval of the Stock Exchange or any other recognised stock exchange on which the Shares are listed, awards may be transferred to a vehicle (such as a trust or a private company) for the benefit of the award holder and any family members of such award holder that would continue to meet the purpose of the Share Award Plan.

(n) Malus and clawback

If circumstances occur which, in the reasonable opinion of the Board, justify a reduction to the award, the Board may in its discretion at any time before the award is vested or exercised determine that the number of Shares in respect of which the award is granted shall be reduced to such number (including to nil) as the Board considers appropriate in the circumstances.

If circumstances occur which, in the reasonable opinion of the Board, justify a reduction in respect of the Shares that have already been delivered then the Board may in its discretion determine (acting fairly and reasonably) that the award holder should repay to our Company (whether by redemption or repurchase of relevant Shares, payment of cash proceeds or deductions from or set offs against any amounts owed to the award holder by a Share Award Plan Employer) an amount equal to the benefit, calculated on an after-tax basis, that the award holder received, provided that the Board may, at its discretion, determine that a lesser amount should be repaid. Each award holder shall be deemed to undertake, as a condition of participation in the Share

Award Plan, to do all things necessary to complete the redemption or repurchase of relevant Shares or pay cash in order to comply with the malus and clawback provisions and to expressly authorise deductions from or set offs against any amounts owed to the award holder by a Share Award Plan Employer.

The circumstances in which the Board may consider that it is appropriate to exercise its discretion under the above paragraphs, may, without limitation, include the following:

(a) a material misstatement or restatement in the audited financial accounts of any Share Award Plan Employer (other than as a result of a change in accounting practice);

(b) the negligence, fraud or serious misconduct of an award holder which results in or is reasonably likely to result in:

(i) significant reputational damage to any Share Award Plan Employer (or to a relevant business unit of any Share Award Plan Employer);

(ii) a material adverse effect on the financial position of any Share Award Plan Employer (or to a relevant business unit of any Share Award Plan Employer); or

(iii) a material adverse effect on the business opportunities and prospects for sustained performance or profitability of any Share Award Plan Employer (or to a relevant business unit of any Share Award Plan Employer); or

(c) the award holder being employed or engaged by a Share Award Plan Employer (or the relevant unit of any Share Award Plan Employer) that suffers:

(i) significant reputational damage;

(ii) a material adverse effect on its financial position; or

(iii) a material adverse effect on its business opportunities and prospects for sustained performance or profitability.

(o) Reorganisation of capital structure

In the event of an alteration in the capital structure of our Company by way of a capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of Shares or reduction of the share capital of our Company in accordance with applicable laws and the Listing Rules (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company or any of its subsidiaries is a party or in connection with any share option, restricted share or other share-based incentive plans of our Company) whilst any award remains not yet vested, unexercised and/or unsatisfied, the Board may adjust the nominal value or number of Shares subject to an award, the Share Award Plan Exercise Price and/or the Plan Mandate Limit as it, in its absolute discretion, thinks fit. In respect of any such adjustments after the [**REDACTED**], our Company's auditors or an independent financial advisor to our Company (as the case may be) must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable.

(p) Corporate events

In the event of the following events taking place prior to the commencement of or expiry of the exercise period of any option or the vesting date of any RSU or PSU:

(i) a general offer (other than by way of scheme of arrangement pursuant to sub-paragraph (iii) below) which is made by any person to acquire all the Shares (other than those already owned by the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional; or

(ii) an offer by way of proposed merger or amalgamation or otherwise (other than by way of scheme of arrangement pursuant to sub-paragraph (iii) below) which is made by any person to acquire all the Shares (other than those already owned by the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer being accepted by the requisite Shareholder vote or notified to Shareholders by delivery of the final plan of merger (as the case may be); or

(iii) an offer by any person for all the Shares (other than those already owned by the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) to be effected by way of scheme of arrangement is made and which is approved by the necessary number of Shareholders at the requisite meeting(s); or

(iv) a compromise or arrangement (other than a scheme of arrangement contemplated in sub-paragraph (iii) above) between our Company and the Shareholders and/or the creditors of our Company is proposed for the purposes of or in connection with a plan for the reconstruction of our Company or its amalgamation with any other company or companies, the Board shall, subject as provided below and (1) (in the case of sub-paragraph (i) above) prior to the offer becoming or being declared unconditional; (2) (in the case of sub-paragraph (ii) above) prior to the date of Shareholder approval or delivery of the plan of merger to Shareholders (as the case may be) or (3) (in the case of sub-paragraph (iii) or (iv) above) prior to the date of the relevant meeting(s), determine in its absolute discretion whether any RSU or PSU which has not yet vested shall vest and any option which has not yet been exercised shall be capable of exercise. To the extent that any award is not vested or exercised (whether the exercise period had commenced previously or not), it shall lapse automatically on (in the case of subparagraph (i) above) the date on which the offer closes; (in the case of sub-paragraph (ii) above) the date of the Shareholder meeting or delivery of the plan of merger to Shareholders (as the case may be); (in the case of sub-paragraph (iii) above) the record date for determining entitlements under the scheme of arrangement; and (in the case of sub-paragraph (iv) above) on the date of the meeting of Shareholders or creditors.

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company prior to the expiry of the exercise period of any [**REDACTED**] or the vesting date of any RSU or PSU, our Company shall give notice thereof to all the award holders on the same day as it despatches to the Shareholders the notice convening the meeting. Notwithstanding any other terms on which the award was granted, any RSUs or PSUs (to the extent not already vested) shall vest and any [**REDACTED**] (to the extent not already exercised) may be exercised, in accordance with the following paragraph. Our Company shall as soon as possible and in any event no later than two business days immediately prior to the date of the proposed general meeting, [**REDACTED**] and issue or procure the transfer of such number of Shares to the award holder which falls to be issued or transferred on such vesting or exercise of the award, credited as fully paid, and shall register such Shares in the name of the award holder and issue to the award holder (or his custodian agent) share certificates in respect of such Shares. If, for any reason, the resolution for the voluntary winding-up of our Company is not approved by the Shareholders, the rights of the award holder to exercise his [**REDACTED**] shall be restored in full, to the extent that they had not been exercised at the date such rights were suspended, as if such resolution for the voluntary winding-up of our Company had not been proposed by our Company and neither our Company nor the Directors shall be liable for any loss or damage suffered or sustained by any award holder as a result of the aforesaid suspension of rights.

The number of Shares in respect of which any award may vest or be exercised pursuant to the paragraphs above (if any) and the period during which such vesting may take place or any such exercise may occur shall be determined by the Board in its absolute discretion by reference to factors which may include (a) the extent to which any conditions to vesting have been satisfied as at the relevant event and (b) the proportion of the period from the grant date to the commencement of the normal vesting date or normal exercise period that has elapsed as at the relevant event. The balance of any award that is determined by the Board not to vest or be exercisable shall lapse.

(q) Cancellation, substitution and/or exchange of awards

The Board may at any time substitute, exchange and/or cancel any awards (or part thereof) previously granted but which have not yet vested or have only partly vested (or in the case of [**REDACTED**], which have not yet been exercised by an award holder) and [**REDACTED**] the award holder new awards of an equivalent value in our Company under the Share Award Plan or another company including pursuant to a different equity incentive plan (as applicable). For the avoidance of doubt, where our Company cancels awards and [**REDACTED**] new awards under the Share Award Plan to the same award holder, the [**REDACTED**] of such new awards may only be made with available Shares to the extent not yet granted within the limits approved by Shareholders in accordance with the terms of the Share Award Plan. The cancelled awards cannot be added back to replenish the Plan Mandate Limit.

(r) Repurchase rights

Where an award holder ceases to be an eligible person for whatever reason prior to an exit event taking effect (as determined in the sole and absolute discretion of the Board), our Company will have the right (but not the obligation) to repurchase the Shares held by the award holder based on the value of a Share according to the latest valuation of our Company available to the Board or as determined by an accounting firm or financial advisor appointed by the Board in its sole and absolute discretion based on such guidance and methodology as may be determined by the Board from time to time. The Board may exercise this right by giving the award holder notice in writing to that effect within six (6) months from the date that the award holder ceases to be an eligible person.

(s) Exit event

For the purpose of the Share Award Plan, an exit event includes:

(i) the sale of more than fifty (50) % of (i) our Company's business, and/or assets, and/or ((ii) the shares in any member of the Group which holds the whole or substantially the whole of the business of the Group to one or more bona fide independent third parties, whether through a single transaction or a series of transactions;

(ii) the sale of more than fifty (50) % of the Shares (or the shares of any body corporate established or acquired with the approval of the Board for the purpose of implementing an exit event ("**Exit Vehicle**")) to one or more bona fide independent third parties, whether through a single transaction or a series of transactions;

(iii) the initial [**REDACTED**] and [**REDACTED**] of the Shares (or the shares of an Exit Vehicle) on the [**REDACTED**] of the [**REDACTED**] or on any other recognised [**REDACTED**] anywhere in the world.

Where the Board determines that an exit event will take effect, the Board may (but is not obliged to) at any time following that determination but before the exit event takes effect, decide in its sole and absolute discretion whether any unvested portion of an Award shall:

(i) accelerate in whole or in part and be satisfied with the allotment and issue or transfer of Shares (or the equivalent number shares in an Exit Vehicle) or with a cash payment;

(ii) continue to vest in whole or in part in accordance with its original or amended terms (as determined by the Board); and/or

(iii) be exchanged for new awards in an Exit Vehicle which, in the opinion of the Board, is of equivalent value to the unvested awards, and

in the case of vested but unexercised options:

(iv) whether amendments will be applied in respect of the terms of such options, including but not limited to the Share Award Plan Exercise Price and the exercise period; and

(v) whether such options will be swapped for new options over the shares of an Exit Vehicle, and if so, the terms which will apply to such new options.

Prior to an exit event taking effect (as determined in the sole and absolute discretion of the Board), no award holder can directly or indirectly dispose of any Shares, unless the award holder obtains the prior written consent of the Board (which may be granted or denied in the absolute discretion of the Board), save for any sale or transfer made by an award holder in accordance with the terms of the Share Award Plan.

In the event of a sale of more than fifty (50) % of the issued shares of our Company (or an Exit Vehicle) to one or more bona fide independent third parties, whether through a single transaction or a series of transactions, the Board will have the right to require the award holder to sell some or all of his Shares (or his shares in an Exit Vehicle) to the proposed purchaser on equivalent terms as to price and the terms of such sale as Mr. Li and any person and/or entity or group of persons and/or entities controlled by or under the common control of Mr. Li which hold Shares (which, as at the date of adoption by the Board of the Share Award Plan, is PCGI Holdings).

(t) Amendments to the Share Award Plan rules and terms of awards

Prior to the [**REDACTED**], the Board may make any changes to the terms and conditions of the Share Award Plan and to the terms of any awards as it sees fit, subject to applicable laws, rules and regulations, provided that no amendment of the terms and conditions of the Share Award Plan will operate to affect adversely any right which any award holder has accrued prior to the effective date of such amendment, save to the extent any such amendment is made to cause the terms and conditions of the Share Award Plan to comply with applicable laws, rules or regulations. For the avoidance of doubt, our Company is not required to obtain the prior consent of the award holder in respect of any amendments to the terms and conditions of the Share Award Plan or any changes to the terms of his award which are to comply with the applicable laws, rules or regulations or to correct a manifest error.

After the [**REDACTED**], any amendments:

(i) to the terms and conditions of the Share Award Plan which are of a material nature;

(ii) to the terms and conditions of the Share Award Plan which relate to the matters set out in Rule 17.03 of the Listing Rules and which are to the advantage of the award holders; and

(iii) to the authority of the Board or the trustee in relation to any alteration to the terms and conditions of the Share Award Plan,

must be made with the prior approval of Shareholders in general meeting. In respect of (i) above, the Board's determination as to whether any proposed amendment to the terms and conditions of the Share Award Plan is material shall be conclusive. The Board may make any other amendments to the terms and conditions of the Share Award Plan at any time, provided that no amendment of the terms and conditions of the Share Award Plan will operate to affect adversely any right which any award holder has accrued prior to the effective date of such amendment, save to the extent any such amendment is made to cause the Share Award Plan to comply with applicable laws, rules or regulations. For the avoidance of doubt, our Company is not required to obtain the prior consent of the award holder in respect of any amendments to the terms and conditions of the Share Award Plan which are to comply with applicable laws, rules or regulations or to correct a manifest error.

After the [**REDACTED**], any amendments to the terms and conditions of any awards must be approved by the Board, the compensation committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the award was approved by the Board, the compensation committee, the independent non-executive Directors and/or the Shareholders (as the case may be), save where the amendments take effect automatically under the terms and conditions of the Share Award Plan or the grant letters. For the avoidance of doubt, our Company is not required to obtain the prior consent of the award holder in respect of any changes to the terms of awards which are to comply with applicable laws, rules or regulations or to correct a manifest error.

The amended terms and conditions of the Share Award Plan and the awards shall comply with the Listing Rules, including in particular Chapter 17 of the Listing Rules (if such changes take place after the [**REDACTED**]), and all applicable laws, rules and regulations.

4. Employee Share Purchase Plan

The following is a summary of the principal terms of the Employee Share Purchase Plan. The Employee Share Purchase Plan was conditionally approved and adopted by the Board on 30 January 2022. The terms of the Employee Share Purchase Plan have been amended by the Board on [·] to incorporate the requirements set out in the consultation conclusions published by the Stock Exchange on 29 July 2022 on the Proposed Amendments to the Listing Rules relating to the share schemes of listed issuers.

(a) Purpose

The purpose of the Employee share Purchase Plan is to:

(i) provide our Company with a flexible means to retain, incentivise, reward, remunerate and/or compensate its eligible persons; and

(ii) drive the performance and growth of the Group's business by providing eligible persons with the opportunity to acquire equity interests in our Company.

(b) Participants

The Board may, at its sole and absolute discretion, invite an eligible person who satisfies all such criteria as may be determined by the Board to participate in the Employee Share Purchase Plan through an offer letter. Eligible persons for the purpose of the Employee Share Purchase Plan include any employee employed by:

(i) a member of the Group; or

(ii) a Related Entity (as defined above);

(in respect of any of the eligible persons above, an "**Employee Share Purchase Plan Employer**" means the member of the Group or Related Entity employing him).

Any person who is:

(i) a director, chief executive, or substantial shareholder of the Company or any of the Company's subsidiaries;

(ii) a person who was a director of the Company or any of the Company's subsidiaries in the last twelve (12) months;

(iii) an associate of any person set out in (a) or (b) above; or

(iv) such other person defined as a 'connected person' under the Listing Rules

shall not be eligible to participate in the Employee Share Purchase Plan. For the avoidance of doubt, this excludes any director, chief executive or substantial shareholder of an insignificant subsidiary. However, if a person is connected with two (2) or more insignificant subsidiaries, the Board will aggregate the total assets, profits and revenue of the relevant subsidiaries to determine whether they are, together, insignificant subsidiaries. An "insignificant subsidiary" means a subsidiary whose total assets, profits and revenue compared to that of the Group are less than (i) ten (10) percent under the percentage ratios for each of the latest three (3) financial years (or if less, the period since the incorporation or establishment of the subsidiary) or (ii) five (5) percent under the percentage ratios for the latest financial year.

(c) Term

The Employee Share Purchase Plan will take effect on the date the following conditions are met:

(a) the passing of the resolution by the Board (and the Shareholders to the extent necessary under applicable law) to approve and adopt the Employee Share Purchase Plan and to authorise the Board to grant RSUs and to allot and issue or otherwise deal with the Shares in connection with the Employee Share Purchase Plan;

(b) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the Employee Share Purchase Plan if applicable; and

(c) the commencement of trading of the Shares on the [**REDACTED**] of the [**REDACTED**].

If any of the conditions set out above are not satisfied on or before 31 December 2023, the Employee Share Purchase Plan will terminate immediately and any offers made or agreed to be made pursuant to the Employee Share Purchase Plan will be of no effect and no person will be entitled to any rights or benefits or be under any obligations under or in respect of this Employee Share Purchase Plan.

The Employee Share Purchase Plan will be valid and effective for the period commencing upon the satisfaction of all the conditions above and expiring on the tenth anniversary thereof or such earlier date as the Employee Share Purchase Plan is terminated by our Company or the Board for any reason. After the Employee Share Purchase Plan expires or is terminated, our Company cannot make new offers.

After the Employee Share Purchase Plan expires or is terminated, for so long as there are unvested RSUs or Employee Purchase Shares (defined below) which are still subject to the lock-up period, the Employee Share Purchase Plan will remain in full force and effect for the purpose of giving effect to the vesting of such RSUs and delivery of the relevant Shares underlying the RSUs (the "**Award Shares**") and/or the Shares acquired by an award holder (the "**Employee Purchase Shares**") or otherwise as may be required in accordance with the Employee Share Purchase Plan.

(d) Appointment of a trustee

The Board may appoint a trustee to assist with the administration of the Employee Share Purchase Plan. The Board may to the extent permitted by applicable laws and regulations: (a) allot, issue or transfer Shares to the trustee to be held by the trustee pending the vesting of the Award Shares and the expiry of the lock-up period of the Employee Purchase Shares; and/or (b) direct and procure the trustee to make on- and off-market purchases of Shares to be used as Employee Purchase Shares and/or Award Shares, as the case may be in accordance with the terms of the Employee Share Purchase Plan. The Board shall to the extent permitted by applicable laws and regulations provide sufficient funds to the trustee by whatever means as the Board may in its absolute discretion determine to enable the trustee to satisfy its obligations in connection with the administration and operation of the Employee Share Purchase Plan, including in relation to delivery of the Award Shares and/or Employee Purchase Shares. The trustee holding any Employee Purchase Shares subject to the lock-up period and RSUs not yet granted and/or vested shall abstain from voting on matters that require Shareholders' approval under the Listing Rules in respect of such Shares, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

(e) Employee Purchase Shares and Award Shares

(i) Invitation to acquire Employee Purchase Shares

During the period in each Employee Share Purchase Plan Year (defined below) whereby the Employee Share Purchase Plan is open for participation by a participant, the Board may at its sole and absolute discretion invite a participant to participate in the Employee Share Purchase Plan through an offer letter. The offer letter will invite the participant to acquire a number of Employee Purchase Shares, upon which the participant will be "matched" with RSUs in accordance with the paragraph below. If the participant wishes to take part in the Employee Share Purchase Plan, he will be required to indicate in the offer letter the percentage of his monthly basic salary he wishes to apply towards the acquisition of the Employee Purchase Shares (and such percentage will be used to determine the amount that the award holder pays to acquire the Employee Purchase Shares ("**Employee Purchase Amount**")). For the avoidance of doubt, the offer letter will specify a minimum and maximum percentage of monthly basic salary that the participant may apply towards acquiring the Employee Purchase Shares under the Employee Share Purchase Plan. The number of Employee Purchase Shares a participant acquires will depend on the Employee Purchase Amount and the price of the Shares.

A participant who acquires Employee Purchase Shares under the Employee Share Purchase Plan in accordance with the relevant terms and conditions and as set out in the offer letter and the confirmation notice issued to the award holder by our Company will be provisionally allocated with such number of "matching" RSUs equivalent to a ratio (specified in the offer letter) of the number of Employee Purchase Shares acquired during the Employee Share Plan Year. The "matching" RSUs will be granted to a participant at the end of the Employee Share Purchase Plan Year. Details regarding the terms and conditions of the RSUs and the Employee Purchase Shares will be set out in the offer letter and the confirmation notice.

(ii) Enrollment to the Employee Share Purchase Plan

An offer will be open for enrollment by the participant during the enrollment period set out in the offer letter. Only the participant can enroll to an offer and no other person can enroll to it on his behalf, unless otherwise agreed by the Board.

If an offer is not enrolled in the manner prescribed in the Employee Share Purchase Plan, it will be deemed to have been irrevocably declined and will automatically lapse. In addition, an offer will immediately and automatically lapse if, during the enrollment period, the participant gives or receives notice to terminate his employment or service so as to cease to be an eligible person for the purposes of the Employee Share Purchase Plan.

(iii) Source of Shares

In order to satisfy (i) the acquisition of Employee Purchase Shares by award holders and (ii) the RSUs which will be matched to the award holders, our Company may at its sole and absolute discretion:

(a) direct and procure the trustee to make on- and off-market purchases of Shares at the prevailing market prices until the sum of all Employee Purchase Amounts paid by award holders (the "**Total Purchase Amount**") and the total sum contributed by our Company to fund the purchase of Award Shares (the "**Total Award Amount**") have been utilised as far as possible (over a fixed period of days on an aggregate basis if necessary). The Shares acquired by the trustee will be designated as either Employee Purchase Shares or Award Shares. Employee Purchase Shares will be allocated to the award holders on the basis of their respective Employee Purchase Amounts by reference to the weighted average purchase price of the Shares. Award Shares will be provisionally allocated to award holders based on the matching ratio with reference to the number of Employee Purchase Shares; and/or

(b) allot and issue fully-paid Shares to the trustee and/or direct and procure the trustee to use the Shares in the trust. The price of the Employee Purchase Shares will be the Plan Market Value (defined above) on the date immediately before the allotment or transfer of the Employee Purchase Shares (as the case may be), or if such date is not a business day, then the last business day before that. The Shares allotted and issued or transferred (as the case may be) will be designated as either Employee Purchase Shares or Award Shares. Employee Purchase Shares will be allocated to the award holders on the basis of their respective Employee Purchase Amount divided by the price of the Employee Purchase Shares. Award Shares will be provisionally allocated to award holders based on the matching ratio with reference to the number of Employee Purchase Shares.

For the avoidance of doubt, our Company may in its sole and absolute discretion direct and procure the trustee to satisfy the acquisition of (i) Employee Purchase Shares and (ii) Award Shares in different ways.

Our Company may in its sole and absolute discretion pay or procure a cash payment to the award holder.

(iv) Restrictions

Our Company may not make any offers or grant any matching RSUs after inside information has come to its knowledge until such time as that information has ceased to constitute inside information. In particular, our Company may not make any offers or grant any matching RSUs during the period commencing one (1) month immediately preceding the earlier of:

(a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. Where an offer or grant of matching RSUs is made to any participant or award holder who, because of his office or employment or other relationship with the Group, is likely to be in possession of unpublished price-sensitive information in relation to the Shares, no offer or grant of matching RSUs may be granted on any day on which the financial results of our Company are published and during the period of:

(a) sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

No offer will be made to, nor will any offer be capable of acceptance by, any award holder at a time when our Company, the trustee and/or the award holder would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules (including internal rules and policies).

To the extent that:

(a) the acquisition of Shares on- and off-market by the trustee pursuant to the terms of the Employee Share Purchase Plan; or

(b) the allotment and issuance of Shares by our Company to the trustee pursuant to the terms of the Employee Share Purchase Plan, takes place at a time when our Company, the trustee or the award holder would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable laws, regulations or rules (including internal rules and policies), such acquisition or allotment and issuance of Shares must be made as soon as possible after the date when such dealing is permitted. Any award holder who is in possession of unpublished price-sensitive information in relation to the Shares must immediately inform our Company and any dealing in the Shares by him or on his behalf by our Company or the trustee (including but not limited to the acquisition of Employee Purchase Shares) pursuant to the Employee Share Purchase Plan may be suspended until such time when such dealing is permitted.

(f) Maximum number of New Shares which may be issued

At any time during the term of the Employee Share Purchase Plan, the maximum aggregate number of New Shares (as defined above) in respect of which RSUs may be granted pursuant to the Employee Share Purchase Plan will be calculated in accordance with the following formula:

$$\mathbf{X = A - B - C}$$

where:

X = the maximum aggregate number of New Shares in respect of which RSUs may be granted pursuant to the Employee Share Purchase Plan;

A = the Plan Mandate Limit;

B = the maximum aggregate number of New Shares that may be allotted and issued by our Company and/or transferred by the trustee upon the vesting of the RSUs already granted pursuant to the Employee Share Purchase Plan; and

C = the maximum aggregate number of New Shares that may be allotted and issued by our Company and/or transferred by the trustee upon the vesting and/or exercise of any awards already granted pursuant to any other share-based incentive plans of our Company.

New Shares in respect of:

(a) RSUs which have lapsed or which have been satisfied by the making of a cash payment under the Employee Share Purchase Plan; and

(b) awards which have lapsed or which have been satisfied by the making of a cash payment under any other share-based incentive plans of our Company will not be counted for the purpose of determining the maximum number of new Award Shares that may be allotted and issued by our Company in respect of RSUs that may be granted pursuant to the Employee Share Purchase Plan.

The Plan Mandate Limit may be renewed (a) every three (3) years subject to prior Shareholders' approval or (b) within a three (3) year period subject to prior Shareholders' approval and with the relevant persons specified in the Listing Rules abstaining from voting on the relevant resolution and in each case subject to the requirements of the Listing Rules, but in any event, the total number of New Shares in respect of which (i) RSUs may be granted pursuant to the Employee Share Purchase Plan and (ii) awards may be granted under any other share-based incentive plans of our Company following the date of approval of the renewed limit ("**New Approval Date**") must not exceed ten (10) % of the Shares in issue as at the New Approval Date. New Shares in respect of which (i) RSUs are granted pursuant to the Employee Share Purchase Plan and (ii) awards are granted under any other share-based incentive plans of our Company (including those outstanding, lapsed, vested or exercised) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of New Shares in respect of which RSUs may be granted following the New Approval Date under the renewed limit. For the avoidance of doubt, New Shares allotted and issued and/or transferred prior to the New Approval Date pursuant to (i) the vesting of RSUs under the Employee Share Purchase Plan and (ii) the vesting and/or exercise of awards under any other share-based incentive plans of our Company will be counted for the purpose of determining the number of Shares in issue as at the New Approval Date.

Notwithstanding the foregoing, our Company may grant RSUs over New Shares beyond the Plan Mandate Limit to participants if separate Shareholders' approval has been obtained for granting such RSUs or satisfying such Employee Purchase Shares beyond the Plan Mandate Limit to participants specifically identified by our Company before such Shareholders' approval is sought in accordance with the Listing Rules.

In any twelve (12) month period, the maximum number of New Shares issued and/or transferred (and to be issued and/or transferred) upon (i) the vesting of the RSUs granted pursuant to the Employee Share Purchase Plan and (ii) the vesting and/or exercise of awards granted pursuant to any other share-based incentive plans of our Company (excluding any RSUs lapsed in accordance with the terms of the Employee Share Purchase Plan or awards which have lapsed in accordance with any other share-based incentive plans of our Company) to any participant shall not exceed one (1) % of the Shares in issue for the time being.

Where any further grant of RSUs over New Shares to a participant would result in the breach of the limit set out in the above paragraph, such further grant must be separately approved by Shareholders in general meeting in accordance with the Listing Rules.

(g) Employee Share Purchase Plan Year

The Employee Share Purchase Plan operates for a period of twelve (12) months each year or for a shorter period as determined by the Board in its sole and absolute discretion (the "***Employee Share Purchase Plan Year***"). A participant who enrolls to an offer to participate must participate for the full Employee Share Purchase Plan Year.

(h) Vesting of RSUs

Subject to other relevant terms and conditions as set out in the Employee Share Purchase Plan and the relevant offer letter, RSUs granted pursuant to the Employee Share Purchase Plan will vest in three (3) years (or as otherwise specified in the offer letter) from the first day of the Employee Share Purchase Plan Year. The vesting date will be the same for all RSUs provisionally allocated, but not yet granted, to award holders in the same Employee Share Purchase Plan Year. The vesting period for RSUs over New Shares shall not be less than twelve (12) months, except that the vesting period for an employee employed by a member of the Group may be less than twelve (12) months in specific circumstances determined by (i) the compensation committee, where the arrangements relate to RSUs over New Shares to the senior managers of the Group; or (ii) the Board, where the arrangements relate to RSUs over New Shares to an employee employed by a member of the Group. These specific circumstances include but are not limited to grants of RSUs over New Shares:

(a) to award holders whose employment is terminated due to death, ill health, serious injury, disability or retirement or upon the occurrence of any out of control event, where the vesting of the RSUs may accelerate based on the discretion of the Board (or the compensation committee, as the case may be); and

(b) which could not have been made earlier due to administrative, commercial, compliance, regulatory, legal and/or other reasons and the Vesting period will be shortened to put the award holders in the same position as they would have been in had the grant of RSUs been made earlier.

Prior to the vesting date, Award Shares underlying the RSUs (if any) will be held by the trustee.

No RSUs may vest if such vesting would, in the opinion of the Board, be in breach of the Employee Share Purchase Plan rules, any applicable law, rule or regulation (including the Listing Rules) or the terms and conditions of the RSUs.

Unless otherwise provided in the Employee Share Purchase Plan rules, RSUs will only vest if all applicable conditions to which they are subject have been satisfied (subject to the determination of the number of Award Shares, if any, to be delivered to the award holder in accordance with the satisfaction of the relevant vesting conditions as provided in the offer letter). RSUs granted under the Employee Share Purchase Plan may vest in full or in part, or not vest at all, according to the terms and conditions of the offer letter and the confirmation notices.

No performance targets will be attached to the RSUs under the Employee Share Purchase Plan.

(i) Lock-up period for Employee Purchase Shares

Employee Purchase Shares acquired by award holders under the Employee Share Purchase Plan will be subject to a lock-up period. During the lock-up period, the Employee Purchase Shares will be held by the trustee on behalf of award holders. All Employee Purchase Shares acquired within the same Employee Share Purchase Plan Year will be subject to the same lock-up period.

Unless otherwise specified in the offer letter, the lock-Up period shall expire on the earlier of:

(a) three (3) years from the first day of the Employee Share Purchase Plan Year (and may be adjusted accordingly at the sole and absolute discretion of the Board if the Employee Share Purchase Plan Year is not for the full calendar year);

(b) the last day of employment or service of the award holder (for whatever reason) in accordance with the Employee Share Purchase Plan rules; and

(c) our Company or the trustee acknowledging the receipt of a withdrawal notice issued by the award holder in accordance with the Employee Purchase Share Plan rules.

Award holders may access their Employee Purchase Shares during the lock-up period to which they are subject by issuing a withdrawal notice (in a form to be determined by our Company) to our Company or the trustee. A withdrawal notice must be issued in respect of all (and not part) of the Employee Purchase Shares acquired in that Employee Share Purchase Plan Year (including any subsequent Employee Purchase Shares acquired using the dividends of the original Employee Purchase Shares). If a withdrawal notice is issued by an award holder before the vesting date of the matching RSUs granted in that Employee Share Purchase Plan Year, all such RSUs shall immediately lapse and be forfeited. For the avoidance of doubt, this will not affect the matching RSUs granted in any other Employee Share Purchase Plan Year (if any) provided that the relevant Employee Purchase Shares in respect of that Employee Share Purchase Plan Year have not been withdrawn during the lock-up period to which they are subject by the participant. Employee Purchase Shares which are subject to a withdrawal notice will become freely transferable and the restrictions on transferability will cease to apply once our Company or the trustee acknowledges receipt of the withdrawal notice.

A withdrawal notice may only be issued during the enrolment period each year.

No performance targets will be attached to the Employee Purchase Shares under the Employee Share Purchase Plan.

(j) Lapse of awards

In addition to other provisions of the Employee Share Purchase Plan any RSUs granted in respect of an Employee Share Purchase Plan Year will automatically lapse and become null and void on the earlier of:

(a) the failure to satisfy the relevant vesting conditions applicable to the RSUs; and

(b) (whether the RSUs have been vested or not) the award holder failing to obtain all necessary consents or make all necessary registrations within 20 business days after the date of any notice by the Board to the award holder requesting proof that such consents and registrations have been obtained or made.

Within one (1) month of the vesting date, the Board may provide a notice to the award holder confirming the number of Award Shares (if any) that will be delivered pursuant to the vesting of the RSUs in accordance with the terms and conditions of the offer letter, the confirmation notices and the Employee Share Purchase Plan.

If the award holder gives or receives notice to terminate his employment or service with an Employee Share Purchase Plan Employer before the vesting date due to ill health, serious injury or disability, or retirement, or ceases to be an eligible person due to death:

(a) the RSUs shall continue to vest in accordance with the vesting date(s), unless otherwise determined by the Board. The Board may determine whether any changes shall apply to the terms and conditions of any unvested portion of the RSUs, and if so, what those changes are; and

(b) the Employee Purchase Shares will become freely transferable and the restrictions on transferability referred to below will cease to apply on the last day of the award holder's employment or service with an Employee Share Purchase Plan Employer. Our Company will procure the trustee to deliver the relevant number of Employee Purchase Shares to the award holder (or his personal representative, as the case may be) within one (1) month of the last day of his employment or service with an Employee Share Purchase Plan Employer.

If the award holder gives or receives notice to terminate his employment or service with an Employee Share Purchase Plan Employer before the vesting date for any reason other than those specified above (for the avoidance of doubt, including but not limited to resignation, misconduct, redundancy and any other circumstances), or if the award holder was employed or engaged by a member of the Group but transfers to any member of the PCG Group or to a Related Entity before the vesting date:

(a) the RSUs will lapse in their entirety on the date that the award holder gives or receives notice to terminate his employment or service with an Employee Share Purchase Plan Employer, unless otherwise determined by the Board; and

(b) the Employee Purchase Shares will become freely transferable and the restrictions on transferability referred to below will cease to apply on the last day of the award holder's employment or service with an Employee Share Purchase Plan Employer. Our Company will procure the trustee to deliver the relevant number of Employee Purchase Shares to the award holder within one (1) month of the last day of his employment or service with an Employee Share Purchase Plan Employer.

Where the award holder was employed or engaged by a member of the Group but transfers to any member of the PCG Group or to a Related Entity before the vesting date, in exceptional circumstances as determined by the Board, the Board may decide that:

(a) (where such transfer occurs during the Employee Share Purchase Plan Year) the acquisition of Employee Purchase Shares and the provisional allocation of matching RSUs will immediately stop, although any provisionally allocated RSUs will still be granted at the end of the Employee Share Purchase Plan Year and will vest on the vesting date (provided that the Employee Purchase Shares will remain under the lock-up period); and

(b) (where such transfer occurs after the Employee Share Purchase Plan Year) any unvested RSUs may continue to vest (provided that the relevant Employee Purchase Shares will remain under the lock-up period).

For the avoidance of doubt, a determination by the Board to the effect that any of the circumstances above has occurred will be conclusive and binding on the person. References to the Board in this section excludes the compensation committee, unless otherwise directly instructed, authorised or approved by the Board or as required by applicable laws and regulations (including the Listing Rules).

(k) Rights of award holders

An award holder cannot vote or receive dividends and does not have any rights of a Shareholder in respect of RSUs until the Award Shares are delivered to the award holder upon the vesting of the RSUs.

An award holder cannot vote in respect of the Employee Purchase Shares until the expiry of the lock-up period and the relevant Employee Purchase Shares have been delivered to the award holder. Dividends paid on the Employee Purchase Shares during the lock-up period will be used to acquire additional Employee Purchase Shares.

Upon the payment of dividends on the Employee Purchase Shares, such amounts will be used to acquire additional Employee Purchase Shares on behalf of the award holders by the trustee purchasing Shares on- and off-market or by our Company allotting and issuing Shares to the trustee. Additional Employee Purchase Shares which are acquired with dividends will have the same terms and conditions (including the same lock-up period) as the original Employee Purchase Shares on which the dividends were paid. Additional Employee Purchase Shares which are purchased with dividends will not be matched with further RSUs by our Company.

(l) Transferability of Employee Purchase Shares and RSUs

RSUs will be personal to the award holder and the award holder may not sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or otherwise dispose of any of his RSUs or purport to do any of the foregoing. If an award holder does, whether voluntarily or involuntarily, any of the foregoing without the prior written consent of the Board, such RSUs will immediately and automatically lapse.

Where permitted by applicable laws and regulations (including the Listing Rules and subject to the Stock Exchange's approval, RSUs and Purchase Shares may be transferred to a vehicle (such as a trust or a private company) for the benefit of the award holder and any family members of such award holder that would continue to meet the purpose of the Employee Share Purchase Plan.

Prior to the expiry of the lock-up period, except with the prior written consent of the Board, an award holder may not sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or otherwise dispose of any of his Employee Purchase Shares or purport to do any of the foregoing. If an award holder does, whether voluntarily or involuntarily, any of the foregoing without the prior written consent of the Board, any unvested RSUs granted pursuant to the Employee Share Purchase Plan will immediately and automatically lapse.

(m) Malus and clawback

If circumstances occur which, in the reasonable opinion of the Board, justify a reduction to the RSUs, the Board may in its discretion at any time before the RSUs are vested determine that the number of Award Shares in respect of which the RSUs are granted shall be reduced to such number (including to nil) as the Board considers appropriate in the circumstances.

If circumstances occur which, in the reasonable opinion of the Board, justify a reduction in respect of the Award Shares that have already been delivered then the Board may in its discretion determine (acting fairly and reasonably) that the award holder should repay to our Company (whether by redemption or repurchase of relevant Award Shares, payment of cash proceeds or deductions from or set offs against any amounts owed to the award holder by an Employee Share Purchase Plan Employer) an amount equal to the benefit, calculated on an after-tax basis, that the award holder received, provided that the Board may, at its discretion, determine that a lesser amount should be repaid. Each award holder shall be deemed to undertake, as a condition of participation in the Employee Share Purchase Plan, to do all things necessary to complete the redemption or repurchase of relevant Award Shares or pay cash in order to comply with the malus and clawback provisions and to expressly authorise deductions from or set offs against any amounts owed to the award holder by an Employee Share Purchase Plan Employer.

The circumstances in which the Board may consider that it is appropriate to exercise its discretion under the above paragraphs, may, without limitation, include the following:

(a) a material misstatement or restatement in the audited financial accounts of any Employee Share Purchase Plan Employer (other than as a result of a change in accounting practice);

(b) the negligence, fraud or serious misconduct of an award holder which results in or is reasonably likely to result in:

(i) significant reputational damage to any Employee Share Purchase Plan Employer (or to a relevant business unit of any Employee Share Purchase Plan Employer);

(ii) a material adverse effect on the financial position of any Employee Share Purchase Plan Employer (or to a relevant business unit of any Employee Share Purchase Plan Employer); or

(iii) a material adverse effect on the business opportunities and prospects for sustained performance or profitability of any Employee Share Purchase Plan Employer (or to a relevant business unit of any Employee Share Purchase Plan Employer); or

(c) the award holder being employed or engaged by any Employee Share Purchase Plan Employer (or the relevant unit of any Employee Share Purchase Plan Employer) that suffers:

(i) significant reputational damage;

(ii) a material adverse effect on its financial position; or

(iii) a material adverse effect on its business opportunities and prospects for sustained performance or profitability.

(n) Reorganisation of capital structure

In the event of an alteration in the capital structure of our Company by way of a capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of Shares or reduction of the share capital of our Company in accordance with applicable laws and the Listing Rules (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company or any of our subsidiaries is a party or in connection with any share option, restricted share or other share-based incentive plans of our Company) whilst any Employee Purchase Shares or Award Shares have not been delivered, the Board may adjust the nominal value or number of (i) Employee Purchase Shares; (ii) Award Shares underlying the RSUs; and/or the (iii) Plan Mandate Limit as it, in its absolute discretion, thinks fit. In respect of any such adjustments, our Company's auditors or an independent financial adviser to our Company (as the case may be) must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable.

(o) Corporate events

In the event of the following events taking place prior to the vesting date of any RSU:

(i) a general offer (other than by way of scheme of arrangement pursuant to sub-paragraph (iii) below) which is made by any person to acquire all the Shares (other than those already owned by the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional prior to the vesting of the RSUs; or

(ii) an offer by way of proposed merger or amalgamation or otherwise (other than by way of scheme of arrangement pursuant to sub-paragraph (iii) below) which is made by any person to acquire all the Shares (other than those already owned by the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer being accepted by the requisite Shareholder vote or notified to Shareholders by delivery of the final plan of merger (as the case may be) prior to the vesting of the RSUs; or

(iii) an offer by any person for all the Shares (other than those already owned by the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) to be effected by way of scheme of arrangement is made and which is approved by the necessary number of Shareholders at the requisite meeting(s) prior to the vesting of the RSUs; or

(iv) a compromise or arrangement (other than a scheme of arrangement contemplated in sub-paragraph (iii) above) between our Company and the Shareholders and/or the creditors of our Company is proposed for the purposes of or in connection with a plan for the reconstruction of our Company or its amalgamation with any other company or companies prior to the vesting of the RSUs,

the Board shall, subject as provided below and (1) (in the case of sub-paragraph (i) above) prior to the offer becoming or being declared unconditional, (2) (in the case of sub-paragraph (ii) above) prior to the date of Shareholder approval or delivery of the plan of merger to Shareholders (as the case may be) or (3) (in the case of sub-paragraphs (iii) and (iv) above) prior to the date of the relevant meeting(s), determine in its absolute discretion whether any RSUs which have not yet vested shall vest and whether the lock-up period shall immediately expire. To the extent that any RSUs do not vest, such RSUs shall lapse automatically on (in the case of sub-paragraph (i) above) the date on which the offer closes; (in the case of sub-paragraph (ii) above) the date of the Shareholder meeting or delivery of the plan of merger to Shareholders (as the case may be); (in the case of sub-paragraph (iii) above) the record date for determining entitlements under the scheme of arrangement; and (in the case of sub-paragraph (iv) above) on the date of the meeting of Shareholders or creditors.

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company prior to the vesting any RSUs, our Company shall give notice thereof to all the award holders on the same day as it despatches to the Shareholders the notice convening the meeting. Notwithstanding any other terms on which the RSUs were granted, the RSUs shall vest in accordance with the following paragraph and the lock-up period shall immediately expire. Our Company shall as soon as possible and in any event no later than two (2) business days immediately prior to the date of the proposed general meeting, procure the delivery of the relevant number of Employee Purchase Shares (if not yet delivered) and Award Shares to the award holder or procure that a cash payment be made to the award holder in lieu of Award Shares.

The number of Award Shares in respect of which any RSUs vest pursuant to the paragraphs above (if any) and the period during which such vesting may take place shall be determined by the Board in its absolute discretion by reference to factors which may include (a) the extent to which any vesting or other conditions to vesting have been satisfied as at the relevant event and (b) the proportion of the period from the date of offer to the commencement of the normal vesting date that has elapsed as at the relevant event. The balance of any RSUs that are determined by the Board not to vest shall lapse.

(p) Cancellation of RSUs

The Board may at any time with the consent of and on such terms as may be agreed with the award holder cancel any RSUs (or part thereof) provisionally allocated but which have not yet been granted or any RSUs granted to the award holder which have not yet vested and offer the award holder new RSUs of an equivalent value in our Company under the Employee Share Purchase Plan or another company including pursuant to a different equity incentive plan (as applicable). Where our Company cancels RSUs and offers new RSUs under the Employee Share Purchase Plan to the same award holder, the offer of such new RSUs may only be made with available Award Shares to the extent not yet granted within the limits approved by Shareholders. The cancelled RSUs cannot be added back to replenish the Plan Mandate Limit.

(q) Amendments to the Employee Share Purchase Plan Rules and the terms of RSUs

After the Employee Share Purchase Plan comes into effect, any amendments:

(i) to the terms and conditions of the Employee Share Purchase Plan which are of a material nature;

(ii) to the terms and conditions of the Employee Share Purchase Plan which relate to the matters set out in Rule 17.03 of the Listing Rules and which are to the advantage of the award holders; and

(iii) to the authority of the Board or the trustee in relation to any alteration to the terms and conditions of the Employee Share Purchase Plan,

must be made with the prior approval of Shareholders in general meeting. In respect of (i) above, the Board's determination as to whether any proposed amendment to the terms and conditions of the Employee Share Purchase Plan is material shall be conclusive. The Board may make any other amendments to the terms and conditions of the Employee Share Purchase Plan at any time, provided that no amendment of Employee Share Purchase Plan will operate to affect adversely any right which any award holder has accrued prior to the effective date of such amendment, save to the extent any such amendment is made to cause the Employee Share Purchase Plan to comply with applicable laws, rules or regulations. Our Company is not required to obtain the prior consent of the award holder in respect of any amendments to the terms and conditions of the Employee Share Purchase Plan which are to comply with applicable laws, rules or regulations or to correct a manifest error.

Any amendments to the terms and conditions of any RSUs must be approved by the Board, compensation committee and/or the Shareholders (as the case may be) if the initial grant of the RSUs was approved by the Board, compensation committee and/or the Shareholders (as the case may be), save where the amendments take effect automatically under the terms and conditions of the Share Award Plan, the offer letters or the confirmation notices. For the avoidance of doubt, our Company is not required to obtain the prior consent of the award holder in respect of any changes to the terms and conditions of RSUs which are to comply with applicable laws, rules or regulations or to correct a manifest error.

The amended terms and conditions of the Share Award Plan and the RSUs shall comply with the Listing Rules, including in particular Chapter 17 of the Listing Rules (if such changes take place after the [**REDACTED**]), and all applicable laws, rules and regulations.

E. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong and the Cayman Islands.

2. The Joint Sponsors

[**REDACTED**]

Each of the Joint Sponsors confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of US$500,000 for acting as the sponsors for the [**REDACTED**].

3. Registration Procedures

The register of members of our Company will be maintained in the Cayman Islands by Walkers Corporate Limited and a Hong Kong register of members of our Company will be maintained in Hong Kong by the [**REDACTED**]. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share register in Hong Kong and may not be lodged in the Cayman Islands.

4. Preliminary Expenses

Our Company did not incur any material preliminary expenses for the purpose of the [**REDACTED**].

5. Promoter

Our Company does not have any promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the [**REDACTED**] or the related transactions described in this document.

6. Corporate Reorganisation

Our Group underwent the Reorganisation in preparation for the [**REDACTED**]. Please refer to the paragraph headed "*History, Reorganisation and Corporate Structure – Reorganisation*" for further details.

7. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

Name of Expert	Qualifications
Morgan Stanley Asia Limited	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Name of Expert	Qualifications
CMB International Capital Limited	Licensed corporation under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
J.P. Morgan Securities (Far East) Limited	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporation finance) regulated activities under the SFO
Walkers (Hong Kong)	Cayman Islands attorney-at-law
Conyers Dill & Pearman	Legal advisers as to Bermuda laws
Ginting & Reksodiputro in association with Allen & Overy LLP	Legal advisers as to Indonesian laws
Mori Hamada & Matsumoto	Legal advisers as to Japanese laws
MdME	Legal advisers as to Macau laws
Rahmat Lim & Partners	Legal advisers as to Malaysian laws
Nisce Mamuric Guinto Rivera and Alcantara Law Offices	Legal advisers as to Philippine laws
Rajah & Tann Singapore LLP	Legal advisers as to Singapore laws
Baker & McKenzie Ltd.	Legal advisers as to Thai laws
LNT & Partners	Legal advisers as to Vietnam laws
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Milliman Limited	Actuarial Consultant
N.M.G. Financial Services Consulting Limited	Industry Consultant

Each of the above experts has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

8. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

9. Bilingual Document

The English language and Chinese language versions of this document are being published separately, [**REDACTED**].

10. Miscellaneous

(a) Within the two years preceding the date of this document:

(i) save as disclosed in "*History, Reorganisation and Corporate Structure,*" "*Share Capital,*" "*Structure of the* [**REDACTED**]" and in this Appendix, no share or loan capital of our Company or any of its Principal Subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) save as disclosed in this document, no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(b) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought. Save as disclosed in "*History, Reorganisation and Corporate Structure – Previous contemplation for possible listing on the New York Stock Exchange*", no listing document has been issued by our Company in the two years preceding the date of this document.

(e) Our Company has no outstanding convertible debt securities or debentures.

(f) There is no arrangement under which future dividends are waived or agreed to be waived

(g) None of the experts named in "*Qualifications and Consents of Experts*" above:

   (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

   (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [**REDACTED**].

(h) The English text of this document and the [**REDACTED**] shall prevail over their respective Chinese text.

(i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [**REDACTED**];

(b) a copy of each of the material contracts referred to in "*Appendix V – Statutory and General Information – Further Information About the Business – Summary of Material Contracts*;" and

(c) the written consents referred to in "*Appendix V – Statutory and General Information – Other Information – Qualifications and Consents of Experts*".

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.fwd.com** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in "*Appendix I – Accountants' Report*" and "*Appendix II – Unaudited Pro Forma Financial Information,*" respectively;

(c) the audited consolidated financial statements of the Group for the Track Record Period;

(d) the Actuarial Consultant's Report from Milliman, the text of which is set out in "*Appendix III – Actuarial Consultant's Report*;"

(e) the letter from Walkers (Hong Kong), our Company's Cayman legal advisor, summarising the constitution of our Company and salient provisions of the laws of the Cayman Islands referred to in "*Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law*;"

(f) the Cayman Companies Act;

(g) the letters of appointment referred to in "*Appendix V – Statutory and General Information – C. Further Information About the Directors – 2. Particulars of Letters of Appointment*;"

(h) the material contracts referred to in "*Appendix V – Statutory and General Information – Further Information About the Business – Summary of Material Contracts*;"

(i) the written consents referred to in "*Appendix V – Statutory and General Information – Other Information – Qualifications and Consents of Experts*;"

(j) the reports prepared by our Company's legal advisers as to Bermuda, Indonesian, Japanese, Macau, Malaysia, Philippine, Singapore, Thai and Vietnam laws in respect of the [**REDACTED**];

(k) the rules of the Equity Incentive Plans; and

(l) the NMG Report.